

Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Contents:**

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**1.0 Summary: Commerce and Revenue**

Commerce and Revenue funds eight state agencies and the Utah College of Applied Technology. The eight state agencies and UCAT are staffed like they were separate committees, each with its own analyst. (This is also done with Health and Human Services.) UCAT's \$42,000,000 budget is not consolidated into the summary below. The Committee also hears, but does not approve, the Workers' Compensation Fund budget.

	<b>Analyst FY 2004 Base</b>	<b>Analyst FY 2004 Changes</b>	<b>Analyst FY 2004 Total</b>
<b>Financing</b>			
General Fund	82,132,400	(537,800)	81,594,600
General Fund Restricted	24,192,000	(1,200)	24,190,800
Uniform School Fund	16,480,400	(800)	16,479,600
Transportation Fund	5,857,400		5,857,400
Transportation Fund Restricted	133,800		133,800
Federal Funds	206,046,900		206,046,900
Dedicated Credits	25,124,900		25,124,900
Trust and Agency Funds	25,499,000	(500)	25,498,500
Transfers	3,603,600		3,603,600
Pass-through	75,200		75,200
Beginning Balance	26,399,700		26,399,700
Closing Balance	(24,619,500)		(24,619,500)
Lapsing Balance	(18,900)		(18,900)
<b>Total</b>	<b>\$390,906,900</b>	<b>(\$540,300)</b>	<b>\$390,366,600</b>
<b>Programs</b>			
Tax Commission	54,235,400	(307,500)	53,927,900
Workforce Services	261,296,000	(179,400)	261,116,600
Alcoholic Beverage Control	17,849,400	(500)	17,848,900
Labor Commission	8,608,500	(31,800)	8,576,700
Commerce	19,189,200	(700)	19,188,500
Financial Institutions	4,190,600	(200)	4,190,400
Insurance	8,627,800	(17,400)	8,610,400
Public Service Commission	16,910,000	(2,800)	16,907,200
<b>Total</b>	<b>\$390,906,900</b>	<b>(\$540,300)</b>	<b>\$390,366,600</b>
<b>FTE/Other</b>			
Total FTE	3,437		3,437
Vehicles	1	0	1



## 4.0 Additional Information

## 4.1 Funding History

	2000	2001	2002	2003	2004
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	89,432,300	92,915,400	86,832,300	82,243,300	81,594,600
General Fund, One-time				2,871,400	
General Fund Restricted	23,828,800	24,621,500	24,649,800	25,353,600	24,190,800
Uniform School Fund	16,238,300	16,580,800	17,335,800	16,480,400	16,479,600
Uniform School Fund, One-time				(1,000,000)	
Transportation Fund	4,857,400	4,857,400	4,859,900	5,857,400	5,857,400
Transportation Fund Restricted		283,800	133,800	133,800	133,800
Centennial Highway Fund	(693,900)				
Federal Funds	186,218,400	174,148,100	194,816,300	227,108,100	206,046,900
Dedicated Credits	18,394,200	21,379,600	23,275,500	24,057,400	25,124,900
Restricted Revenue		104,400			
Trust and Agency Funds	23,061,100	23,837,400	22,440,700	24,228,100	25,498,500
Transfers	4,130,000	7,070,500	4,055,600	3,725,700	3,603,600
Pass-through				75,400	75,200
Beginning Balance	33,163,000	38,180,700	35,903,000	30,305,900	26,399,700
Closing Balance	(39,486,700)	(37,850,200)	(30,305,900)	(26,339,700)	(24,619,500)
Lapsing Balance	(1,221,300)	(1,100,100)	(2,327,800)	(82,900)	(18,900)
<b>Total</b>	<b>\$357,921,600</b>	<b>\$365,029,300</b>	<b>\$381,669,000</b>	<b>\$415,017,900</b>	<b>\$390,366,600</b>
<b>Programs</b>					
Tax Commission	57,161,700	62,237,400	61,218,400	57,572,700	53,927,900
Workforce Services	243,315,100	236,098,400	253,584,100	283,364,200	261,116,600
Alcoholic Beverage Control	14,192,200	15,279,500	16,317,100	16,371,500	17,848,900
Labor Commission	8,049,300	8,893,400	8,821,600	8,559,100	8,576,700
Commerce	14,412,500	15,123,300	16,485,500	19,330,200	19,188,500
Financial Institutions	2,592,700	2,751,700	3,390,800	4,181,600	4,190,400
Insurance	10,414,200	14,939,000	5,386,500	8,744,100	8,610,400
Public Service Commission	7,783,900	9,706,600	16,465,000	16,894,500	16,907,200
<b>Total</b>	<b>\$357,921,600</b>	<b>\$365,029,300</b>	<b>\$381,669,000</b>	<b>\$415,017,900</b>	<b>\$390,366,600</b>
<b>Expenditures</b>					
Personal Services	154,285,800	164,091,200	175,126,600	181,247,200	182,609,200
In-State Travel	897,000	1,008,700	1,158,900	1,190,900	1,170,300
Out of State Travel	1,163,100	1,198,200	1,087,000	1,288,800	1,240,700
Current Expense	56,547,500	60,169,500	58,039,300	65,226,400	61,029,600
DP Current Expense	21,668,300	22,338,900	25,751,700	46,978,500	25,776,800
DP Capital Outlay	2,201,400	6,201,200	3,803,700	3,682,900	4,180,200
Capital Outlay	239,200	170,100	114,600	134,600	134,600
Other Charges/Pass Thru	120,910,000	109,822,300	116,480,600	115,099,100	114,059,800
Trust & Agency Disbursements	9,300	29,200	106,600	169,500	165,400
<b>Total</b>	<b>\$357,921,600</b>	<b>\$365,029,300</b>	<b>\$381,669,000</b>	<b>\$415,017,900</b>	<b>\$390,366,600</b>
<b>FTE/Other</b>					
Total FTE	3,489	3,502	3,581	3,552	3,437
Vehicles					1

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.

<b>Line Item</b>	Appropriations acts consist of a series of numbered line items. Within a line item, the executive branch may arrange the budget any way it wishes. Funds may not be shifted from one line item to another.
<b>Intent Language</b>	This is a short statement attached to a line item that expresses the Legislature's intent. It is not strictly binding but the Legislature has remedies that would be foolish to ignore.
<b>General Fund</b>	The Legislature may spend these as it pleases. The receiving agency may not legally spend more than is appropriated.
<b>Federal Funds</b>	The amount in the appropriations act is an estimate. The agency may spend more than appropriated if it receives more and has the governor's approval. These funds often come with restrictions such as matching requirements. The Legislature should approve participation in all federal programs.
<b>Dedicated Credits</b>	Revenue from fee collections or sales that must be spent according to the restrictions of law or contract. The amount in the appropriations act is an estimate, and the agency may spend all it receives up to 125% of the appropriated amount.
<b>General Fund Restricted</b>	These funds are similar to Dedicated Credits in that they may only be spent according to the provisions of the law and they may be limited by collections. However, the amount in the appropriations act is a limit and the agency may not spend more no matter how much is in the fund.
<b>Lapsing</b>	At the end of the fiscal year, most unexpended funds go back to the fund from which they were appropriated.
<b>Non-Lapsing</b>	The Legislature may specify that an appropriation not lapse through intent language or in the Utah Code.
<b>Fiscal Year (FY)</b>	The state's fiscal year begins on July 1 and ends on June 30.
<b>FTE</b>	Any combination of hours by any number of persons that is equal to 40 hours of work in a week.
<b>Supplemental</b>	Short for supplemental appropriation. Most budgeting is for the coming fiscal year. A supplemental appropriation is for the current fiscal year and is in addition to appropriations made during the previous session.





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## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Department of Alcoholic Beverage Control**

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## 1.0 Department of Alcoholic Beverage Control

### Summary

Utah is one of eighteen liquor control states and one of two totally State run systems. The Department of Alcoholic Beverage Control (DABC) operates 35 State stores and approximately 77 package agencies. These State stores and package agencies are the exclusive retailers of liquor, wine and heavy beer (more than 4 percent alcohol by volume) in the State. The Department administers liquor laws and licenses on-premise businesses, manufacturers, wholesalers, warehouse, importers, and liquor representatives.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
<b>Financing</b>			
Trust and Agency Funds	17,849,400	(500)	17,848,900
<b>Total</b>	<u>\$17,849,400</u>	<u>(\$500)</u>	<u>\$17,848,900</u>
<b>Programs</b>			
Alcoholic Beverage Control	17,849,400	(500)	17,848,900
<b>Total</b>	<u>\$17,849,400</u>	<u>(\$500)</u>	<u>\$17,848,900</u>
<b>FTE/Other</b>			
Total FTE	278		278

### Mission

The Department regulates the manufacture, sale and use of alcoholic beverages to serve Utah citizens and tourists. Without promoting the sale or consumption of alcoholic beverages, the Department operates as a public business using sound management principles and practices generating revenue for State and local government programs. The Department licenses and regulates the sale of alcoholic beverages at prices that reasonably satisfy the public demand while also protecting the public interest.

### Income From Liquor Sales

Liquor sales provide a major source of income to the State's General Fund. In FY 2002, gross sales totaled \$156,629,891, with a net profit of \$33,260,284. This profit was deposited in the General Fund and used to support State government operations. The FY 2003 and FY 2004 liquor profit is estimated to continue this growing trend.

Liquor sales support several special government programs through profits and sales taxes. These include school lunch and local government alcohol and drug abuse programs.

## **2.0 Budget Highlights: Department of Alcoholic Beverage Control**

### **2.1 Building Blocks**

Since excess liquor profits are transferred to the General Fund, increases to the Department's budget are being treated like they were General Fund. The budget is so tight that the Analyst is only presenting what might be considered mandated increases and eligible for addition to the priority list. The Department has other pressing needs that have not been funded. The Department estimates that revenues will increase by \$634,200 more than is included the Revenue Estimate. This difference is available to the Subcommittee.

### **2.2 Bond Payments**

The Legislature authorized the Department to issue revenue bonds for a warehouse expansion and construction of the Draper and Magna liquor stores. Annual payments are \$730,600. The Draper and Magna stores are open and the Warehouse is under construction.

**Liquor Control Fund.....\$730,600**

### **2.3 Rent Increases**

Rents have increased at five stores:

Store #1, 205 W 400 S, \$15,607

Store #4, 1615 Foothill Blvd., \$38,800

Store #12, 416 6<sup>th</sup> Ave., \$84,932

Store #15, 1863 E 7000 S, \$69,163

Store #29, 2408 E Kentucky Ave, \$9,000

**Liquor Control Fund.....\$217,500**

### **2.5 FTE for New Stores**

The Department needs new personnel to man the new stores in Draper and Magna. The total request is for 8 FTE at a cost of \$212,800.

**Liquor Control Fund.....\$212,800**



### 3.1 Programs: Department of Alcoholic Beverage Control - Executive Director's Office

#### Recommendation

The Analyst recommends base budget funding of \$945,600 from the Liquor Control Fund.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Liquor Control Fund	931,600	942,300	945,600	3,300
Beginning Nonlapsing	23,100	800		(800)
Closing Nonlapsing	(800)			
<b>Total</b>	<b>\$953,900</b>	<b>\$943,100</b>	<b>\$945,600</b>	<b>\$2,500</b>
<b>Expenditures</b>				
Personal Services	932,200	918,700	921,500	2,800
In-State Travel	4,100	4,100	4,100	
Out of State Travel	3,900	3,400	3,900	500
Current Expense	13,700	16,900	16,100	(800)
<b>Total</b>	<b>\$953,900</b>	<b>\$943,100</b>	<b>\$945,600</b>	<b>\$2,500</b>
<b>FTE/Other</b>				
Total FTE	16	16	16	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Executive Director's Office sets Department policies and procedures. The Office provides information to the part-time Commission to decide where to locate liquor stores, product mark-up, and issuance of licenses and permits. Liquor license officers investigate compliance with Utah's liquor laws and make recommendations regarding license applications, suspensions, and revocations.

The Department of Public Safety also has liquor enforcement officers who police the private clubs and restaurants. They are funded through another Subcommittee.

**3.2 Programs: Department of Alcoholic Beverage Control - Administration**

**Recommendation**      The Analyst recommends a budget of \$905,000.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Liquor Control Fund	917,200	903,400	905,000	1,600
<b>Total</b>	<u>\$917,200</u>	<u>\$903,400</u>	<u>\$905,000</u>	<u>\$1,600</u>
<b>Expenditures</b>				
Personal Services	387,600	456,000	457,600	1,600
In-State Travel	1,000	1,000	1,000	
Out of State Travel	(400)	(400)		400
Current Expense	523,600	446,800	446,400	(400)
Capital Outlay	5,400			
<b>Total</b>	<u>\$917,200</u>	<u>\$903,400</u>	<u>\$905,000</u>	<u>\$1,600</u>
<b>FTE/Other</b>				
Total FTE	9	9	10	1

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Summary**

Administration provides centralized administrative services to other programs within the Department. This includes budgeting, accounting, and auditing stores and package agencies.

### 3.3 Programs: Department of Alcoholic Beverage Control - Operations

The Analyst recommends \$2,046,800 from the Liquor Control Fund.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Liquor Control Fund	1,875,900	1,932,900	2,046,800	113,900
<b>Total</b>	<u>\$1,875,900</u>	<u>\$1,932,900</u>	<u>\$2,046,800</u>	<u>\$113,900</u>
<b>Expenditures</b>				
Personal Services	1,171,400	1,212,100	1,216,400	4,300
In-State Travel	1,100	1,100	1,100	
Out of State Travel	2,400	2,400	2,400	
Current Expense	45,500	55,400	55,000	(400)
DP Current Expense	521,400	561,900	561,900	
DP Capital Outlay	134,100	100,000	210,000	110,000
<b>Total</b>	<u>\$1,875,900</u>	<u>\$1,932,900</u>	<u>\$2,046,800</u>	<u>\$113,900</u>
<b>FTE/Other</b>				
Total FTE	16	16	16	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

Operations provides data processing to the Department and manages the operation of the warehouse, stores and package agencies. (The budgets for the warehouse, distribution system, stores and package agencies are considered separately.) All liquor from delivery to the warehouse, until it is sold to the consumer, is traceable by computer. This contributes to the low loss rate of less than 1/10th of one percent.

**3.4 Programs: Department of Alcoholic Beverage - Warehouse and Distribution****Recommendation**

The Analyst recommends a budget of \$1,036,800 from the Liquor Control Fund.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Liquor Control Fund	1,026,400	914,300	1,036,800	122,500
<b>Total</b>	<u>\$1,026,400</u>	<u>\$914,300</u>	<u>\$1,036,800</u>	<u>\$122,500</u>
<b>Expenditures</b>				
Personal Services	883,400	819,100	821,600	2,500
Current Expense	95,200	95,200	104,200	9,000
DP Capital Outlay			111,000	111,000
Capital Outlay	47,800			
<b>Total</b>	<u>\$1,026,400</u>	<u>\$914,300</u>	<u>\$1,036,800</u>	<u>\$122,500</u>
<b>FTE/Other</b>				
Total FTE	21	21	21	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Summary**

This program includes the delivery and the warehousing of the liquor and wines. Distribution is under the control of the Operations Division. During The Department is currently constructing a new warehouse addition that will double capacity. The Department now delivers over 98 percent of the merchandise. This contributes to the savings due to less product breakage and less employee theft.

**Distribution  
Information**

The Department uses a combination of State employees and contractual services to deliver product to the various stores. A contractor delivers cases to the stores at a cost of approximately \$1.00 per case. The cost for the Department to make the same delivery is approximately \$.40 a case.

### 3.5 Programs: Department of Alcoholic Beverage Control - Stores and Agencies

**Recommendation** The Analyst recommends a base budget of \$12,914,700 Liquor Control Fund.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Liquor Control Fund	11,543,700	11,677,800	12,914,700	1,236,900
<b>Total</b>	<u>\$11,543,700</u>	<u>\$11,677,800</u>	<u>\$12,914,700</u>	<u>\$1,236,900</u>
<b>Expenditures</b>				
Personal Services	7,155,400	7,391,800	7,626,600	234,800
In-State Travel	11,000	11,000	11,000	
Current Expense	4,377,300	4,275,000	5,277,100	1,002,100
<b>Total</b>	<u>\$11,543,700</u>	<u>\$11,677,800</u>	<u>\$12,914,700</u>	<u>\$1,236,900</u>
<b>FTE/Other</b>				
Total FTE	237	237	236	(1)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Operations Division oversees stores and package agencies. This program manages the operation of the retail outlets for the sale of liquor and wine to the consuming public. Liquor is sold through several channels in the State, among those are State stores, package agencies, private clubs, and restaurants.

#### Utah is a Liquor Control State

Utah is one of eighteen liquor control States and one of only two that have totally State run systems. (Pennsylvania is the other State.) Utah buys from the manufacturer, stores, distributes and sells the product and collects the sales and excise taxes in State-run stores. The number of retail establishments is set by rule, based on population. The distribution is:

<u>Establishment</u>	<u>Ratio</u>	<u>Active Licenses</u>
State Stores	1 : 48,000 people	36/36
Pkg Agencies	1 : 18,000 people	76/76
Restaurant	1 : 4,500 people	473/481
Private Clubs	1 : 7,000 people	299/309

#### State Stores

The State operates 35 stores throughout the State. These stores are located in large and medium-sized communities where the volume of business is high enough to support the costs of operating a store. The State owns 24 stores and leases the other 11. Employees working in the stores are State employees.

## 3.6 Programs: Department of Alcoholic Beverage Control-Performance

## Alcoholic Beverage Control

1992 to 2003\*

## Liquor Control Fund History

Year	Retail Sales	Cost of Goods Sold	Operating Expenses**	Profit Transfer	School Lunch Taxes	Sales Taxes
1992	82,271,024	43,157,319	9,695,618	17,377,705	8,642,796	4,291,266
1993	85,296,404	44,726,612	9,863,197	18,521,586	8,920,670	4,457,313
1994	89,461,714	46,984,767	10,253,948	18,955,187	9,279,233	4,682,602
1995	94,747,909	49,930,587	10,795,563	20,115,079	9,743,550	4,866,190
1996	103,787,159	54,845,038	11,534,366	22,048,948	10,664,951	5,327,755
1997	113,347,107	60,234,762	12,169,709	24,311,961	11,534,446	5,831,419
1998	121,580,981	64,044,102	13,499,517	26,339,697	12,347,803	6,302,589
1999	127,952,863	68,193,020	13,922,055	26,959,556	12,955,301	6,789,165
2000	138,115,263	73,863,607	14,192,200	28,659,096	14,115,997	7,393,879
2001	145,773,330	77,279,155	15,279,534	30,875,752	14,885,537	7,833,407
2002	156,629,891	83,278,716	16,317,100	33,260,284	15,863,648	8,639,619
* 2003	158,906,890	85,015,186	16,403,900	34,334,159	16,456,875	8,655,575
* 2004	161,183,889	86,233,381	16,403,900	34,334,159	16,456,875	8,655,575

## Sales History - Case Sales

Year	Cases Sold	Retail FTEs
1992	950,760	189.0
1993	986,105	189.0
1994	1,039,823	189.0
1995	1,080,752	189.0
1996	1,162,353	194.0
1997	1,247,316	202.5
1998	1,318,933	228.5
1999	1,348,150	228.5
2000	1,416,059	226.5
2001	1,511,445	228.5
2002	1,603,803	239.5
* 2003	1,658,565	239.5
* 2004	1,752,437	239.5

## Sales History - Dollar Sales

Year	Stores	PAs
1992	74,251,912	8,019,112
1993	77,188,060	8,108,344
1994	81,341,844	8,119,870
1995	86,675,652	8,072,257
1996	95,107,167	8,679,992
1997	103,917,142	9,429,965
1998	111,389,861	10,191,120
1999	117,688,890	10,263,973
2000	127,269,458	10,845,805
2001	135,218,769	10,554,561
2002	145,781,979	10,847,912
* 2003	147,765,627	11,141,263
* 2004	149,749,275	11,434,614

## Retail Sales Annual Increases

Year	Increase	% Increase
92 to 93	3,025,380	3.68%
93 to 94	4,165,310	4.88%
94 to 95	5,286,195	5.91%
95 to 96	9,039,250	9.54%
96 to 97	9,559,948	9.21%
97 to 98	8,233,874	7.26%
98 to 99	6,371,882	5.24%
99 to 00	10,162,400	7.94%
00 to 01	7,658,067	5.54%
01 to 02	10,856,561	7.45%
* 02 to 03	2,276,999	1.45%
* 03 to 04	2,276,999	1.43%

## Cases Sold Annual Increases

Year	Increase	% Increase
92 to 93	35,345	3.72%
93 to 94	53,718	5.45%
94 to 95	40,929	3.94%
95 to 96	81,601	7.55%
96 to 97	84,963	7.31%
97 to 98	71,617	5.74%
98 to 99	29,217	2.22%
99 to 00	67,909	5.04%
00 to 01	95,386	6.74%
01 to 02	92,358	6.11%
* 02 to 03	54,762	3.41%
* 03 to 04	93,872	5.66%

## Operating Expenses\*\*

Year	Increase	% Increase
92 to 93	167,579	1.73%
93 to 94	390,751	3.96%
94 to 95	541,615	5.28%
95 to 96	738,803	6.84%
96 to 97	635,343	5.51%
97 to 98	1,329,808	10.93%
98 to 99	422,538	3.13%
99 to 00	270,145	1.94%
00 to 01	1,087,334	7.66%
01 to 02	1,037,566	6.79%
* 02 to 03	54,400	0.33%
* 03 to 04	32,400	0.20%

## Profit Transfer

Year	Increase	% Increase
92 to 93	1,143,881	6.58%
93 to 94	433,601	2.34%
94 to 95	1,159,892	6.12%
95 to 96	1,933,869	9.61%
96 to 97	2,263,013	10.26%
97 to 98	2,027,736	8.34%
98 to 99	619,859	2.35%
99 to 00	1,699,540	6.30%
00 to 01	1,955,623	7.73%
01 to 02	2,384,532	7.72%
* 02 to 03	402,226	1.21%
* 03 to 04	671,648	0.20%

\* Estimates based on past years growth.

## Comparison of the first 6 months of FY01 and FY02

	FY02	FY03	Increase	% Increase
Retail Sales	60,848,723	62,506,907	1,658,184	2.73%
Case Sales	631,455	657,047	25,592	4.05%
Retail Sales Days	126.00	125		
Avg. Sales/Day	482,926	500,055	17,129	3.55%
Avg. Cases/Day	5,012	5,256	244	4.87%

**4.0 Tables: Department of Alcoholic Beverage Control**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
<b>Financing</b>					
Trust and Agency Funds	14,095,400	15,299,400	16,294,800	16,370,700	17,848,900
Beginning Balance	100,000	3,200	23,100	800	
Closing Balance	(3,200)	(23,100)	(800)		
<b>Total</b>	<b>\$14,192,200</b>	<b>\$15,279,500</b>	<b>\$16,317,100</b>	<b>\$16,371,500</b>	<b>\$17,848,900</b>
<b>Programs</b>					
Alcoholic Beverage Control	14,192,200	15,279,500	16,317,100	16,371,500	17,848,900
<b>Total</b>	<b>\$14,192,200</b>	<b>\$15,279,500</b>	<b>\$16,317,100</b>	<b>\$16,371,500</b>	<b>\$17,848,900</b>
<b>Expenditures</b>					
Personal Services	9,352,600	9,958,000	10,530,000	10,797,700	11,043,700
In-State Travel	19,000	22,300	17,200	17,200	17,200
Out of State Travel	11,100	10,200	5,900	5,400	6,300
Current Expense	4,252,200	4,523,900	5,055,300	4,889,300	5,898,800
DP Current Expense	287,800	488,200	521,400	561,900	561,900
DP Capital Outlay	269,500	276,900	134,100	100,000	321,000
Capital Outlay			53,200		
<b>Total</b>	<b>\$14,192,200</b>	<b>\$15,279,500</b>	<b>\$16,317,100</b>	<b>\$16,371,500</b>	<b>\$17,848,900</b>
<b>FTE/Other</b>					
Total FTE	290	311	299	299	278

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.









Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Department of Commerce**

**Contents:**

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information



## 1.0 Department of Commerce

### Summary

The Utah Department of Commerce is the licensing and registration agency for Utah's professional and corporate community. Business registrations, professional licensing, consumer protection and education, oversight of public utilities and monitoring real estate and securities industries are all in the department's scope.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
<b>Financing</b>			
General Fund Restricted	14,366,100	(700)	14,365,400
Federal Funds	204,400		204,400
Dedicated Credits	4,356,000		4,356,000
Trust and Agency Funds	187,500		187,500
Pass-through	75,200		75,200
<b>Total</b>	<b>\$19,189,200</b>	<b>(\$700)</b>	<b>\$19,188,500</b>
<b>Programs</b>			
Commerce General Regulation	18,403,700	(700)	18,403,000
Real Estate Education	185,500		185,500
Public Utilities Professional & Techn.	100,000		100,000
Committee of Consumer Services Pro	500,000		500,000
<b>Total</b>	<b>\$19,189,200</b>	<b>(\$700)</b>	<b>\$19,188,500</b>
<b>FTE/Other</b>			
Total FTE	236		236

Department funding is primarily from the Commerce Service Fund which is made up from fees collected by the Department. By statute, funds collected to the Commerce Service Fund over the amount appropriated to the Department are deposited in the General Fund. The Department also receives revenue from Dedicated Credits, Trust Funds, and Federal Funds. The Department lapsed to the General Fund: \$9,234,127 in FY 2001 and \$7,498,678 in FY 2002.

### Mission Statement

Protect public interest by ensuring fair commercial and professional practices.

The department expects to achieve its goals by:

- Protecting the public and promoting commerce through reasonable and fair regulation, enforcement, advocacy and education.
- Improve customer service by providing online information, applications, renewals, registrations and filings.
- Meeting the challenge of restricted budgets by operating in a fiscally conservative manner.
- Improving timeliness and level of services with existing resources.

## 2.0 Issues: Department of Commerce

### 3.1 Programs: Department of Commerce - Administration

**Recommendation** The Analyst recommends funding of \$1,946,000.

#### Purpose

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	3,900			
Dedicated Credits Revenue	6,200	35,000	60,000	25,000
GFR - Commerce Service	2,135,500	1,882,900	1,886,000	3,100
Transfers	(1,900)			
Beginning Nonlapsing	735,000	492,200		(492,200)
Closing Nonlapsing	(492,200)			
Lapsing Balance	(267,900)			
<b>Total</b>	<b>\$2,118,600</b>	<b>\$2,410,100</b>	<b>\$1,946,000</b>	<b>(\$464,100)</b>
<b>Expenditures</b>				
Personal Services	1,239,600	1,539,900	1,543,100	3,200
In-State Travel	6,400	2,000	2,000	
Out of State Travel	4,800	9,300	9,300	
Current Expense	218,500	756,300	289,000	(467,300)
DP Current Expense	592,600	102,600	102,600	
DP Capital Outlay	56,700			
<b>Total</b>	<b>\$2,118,600</b>	<b>\$2,410,100</b>	<b>\$1,946,000</b>	<b>(\$464,100)</b>
<b>FTE/Other</b>				
Total FTE	20	20	20	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Administration oversees and manages the department. Administration includes centralized accounting, payroll, personnel, and budget functions. Information Technology Management is under Administration which also coordinates the departments various law proceedings.

#### Department Revenue

This chart shows revenue vs. appropriation and the transfer to the General Fund.

Commerce Department (Commerce Service Fund)				
Fiscal Year	Appropriation	Revenue	Difference	Lapsed to General Fund
FY 1998	14,762,200	18,844,600	4,082,400	
FY 1999	14,762,200	20,243,900	5,481,700	
FY 2000	15,424,600	21,151,500	5,726,900	
FY 2001	15,779,000	26,930,500	11,151,500	9,234,100
FY 2002	16,950,300	24,066,300	7,116,000	7,498,700
FY 2003 est.	17,983,400	22,588,000	4,604,600	7,600,000
FY 2004 est.	14,365,400			7,700,000

**3.2 Programs: Department of Commerce - Division of Occupational and Professional Licensing****Recommendation**

The Analyst recommends a budget of \$7,132,500. The primary source of funding is the Commerce Service Fund. Funding is recommended from two additional General Fund Restricted Accounts. Funds are collected, but must be appropriated to be available.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits Revenue	415,300	293,600	1,205,400	911,800
GFR - Commerce Service	5,108,200	5,797,000	5,812,400	15,400
GFR - Factory Built Housing Fees	104,400	104,400	104,700	300
GFR - Nurses Ed & Enf Fund	10,000	10,000	10,000	
Beginning Nonlapsing	108,000	128,800		(128,800)
Closing Nonlapsing	(128,800)			
Lapsing Balance	(88,400)			
<b>Total</b>	<b>\$5,528,700</b>	<b>\$6,333,800</b>	<b>\$7,132,500</b>	<b>\$798,700</b>
<b>Expenditures</b>				
Personal Services	4,283,500	4,811,100	5,015,700	204,600
In-State Travel	31,200	61,500	61,500	
Out of State Travel	30,200	75,600	75,600	
Current Expense	1,163,500	1,067,000	1,643,100	576,100
DP Current Expense	20,300	195,000	213,000	18,000
DP Capital Outlay		123,600	123,600	
<b>Total</b>	<b>\$5,528,700</b>	<b>\$6,333,800</b>	<b>\$7,132,500</b>	<b>\$798,700</b>
<b>FTE/Other</b>				
Total FTE	84	84	84	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Division of Occupational and Professional Licensing is responsible for licensing and regulating approximately fifty-seven occupations and professions with 303 subcategories. Licensing an occupation or profession is established by law.

The division establishes minimum requirements for licensing, investigates unlawful or unprofessional conduct, and conducts administrative proceedings against individuals who allegedly engage in unlawful or unprofessional conduct.

The Division oversees the Medical Malpractice Pre-litigation Hearing Program, the Uniform Building Code Act, the Residence Lien Recovery Fund, and Construction Standards for Manufactured Housing.

**Performance  
Measures**

<b>Fiscal Year</b>	<b>Complaints Received</b>	<b>Citations Issued</b>
<b>1999</b>	4,413	979
<b>2000</b>	5,776	1,033
<b>2001</b>	4,567	1,259
<b>2002</b>	9,338	1,392

The Licensing performance measures:

<b>Fiscal Year</b>	<b>Professional Licenses Issued or Renewed</b>	<b>Business Registrations Issued or Renewed</b>	<b>UCC/CFS Filings Recorded</b>
<b>2002</b>	251,982	127,001	53,465

Approximately 20% or 51,000 of all license and business renewals are conducted online. Department-wide application or renewal turn-around time is 8 days.



**3.3 Program: Department of Commerce - Division of Securities****Recommendation**

The Analyst recommends funding of \$1,265,900 from the Commerce Service Fund.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Commerce Service	1,200,800	1,262,600	1,265,900	3,300
Lapsing Balance	(49,500)			
<b>Total</b>	<b>\$1,151,300</b>	<b>\$1,262,600</b>	<b>\$1,265,900</b>	<b>\$3,300</b>
<b>Expenditures</b>				
Personal Services	1,080,800	1,139,400	1,153,700	14,300
In-State Travel	1,800	2,200	2,200	
Out of State Travel	6,900	7,800	7,800	
Current Expense	59,800	58,800	47,800	(11,000)
DP Current Expense	2,000	41,500	41,500	
DP Capital Outlay		12,900	12,900	
<b>Total</b>	<b>\$1,151,300</b>	<b>\$1,262,600</b>	<b>\$1,265,900</b>	<b>\$3,300</b>
<b>FTE/Other</b>				
Total FTE	20	20	20	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Division of Securities administers and enforces the Utah Uniform Securities Act. It license broker-dealers, agents, investment advisors, investment adviser representatives, and certified dealers. It reviews registration and exemption filings made by businesses issuing securities. The Division investigates securities violations and initiates administrative actions to deny, revoke or suspend licenses or registration to stop unlawful activities. It also brings civil injunctive actions and refers investigations to state or local prosecutors for criminal prosecution.

**Performance Measures**

The following performance measures were reported by the Department of Commerce for this area.

Fiscal Year	Securities Licenses	Cases Closed	Filings	Audits	Criminal Charges Cases	Criminal Convictions
1998	71,545	103	4,733	44	18	16
1999	74,902	160	4,652	31	24	23
2000	88,994	66	5,076	20	50	28
2001	99,910	73	5,123	32	35	15
2002	87,856	118	4,526	28	66	30

**3.4 Program: Department of Commerce - Division of Consumer Protection**

**Recommendation** The Analyst recommends funding of \$754,700 from the Commerce Service Fund.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Commerce Service	733,000	752,300	754,700	2,400
Lapsing Balance	(32,200)			
<b>Total</b>	<b>\$700,800</b>	<b>\$752,300</b>	<b>\$754,700</b>	<b>\$2,400</b>
<b>Expenditures</b>				
Personal Services	667,000	672,500	674,700	2,200
In-State Travel	300	300	300	
Out of State Travel		1,000	1,000	
Current Expense	31,700	49,600	49,800	200
DP Current Expense	1,800	28,900	28,900	
<b>Total</b>	<b>\$700,800</b>	<b>\$752,300</b>	<b>\$754,700</b>	<b>\$2,400</b>
<b>FTE/Other</b>				
Total FTE	11	11	11	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose** The Division of Consumer Protection helps consumers and businesses deal with dishonest commercial practices. The Division enforces thirteen consumer protection statutes.

**Goals and Objectives** The Utah Division of Consumer Protection responds to consumer complaints, prevents and corrects unfair and deceptive business practices, provides consumer relief and promotes consumer education programs. Their goal is to provide a regulatory environment that is firm, reasonable, and fair that protects consumers and encourages business growth.

**Performance** This program resolves complaints.

Fiscal Year	Complaints Received	Complaints Assigned	Complaints Closed by Investigation	Complaints Closed by Compliance
1997	2,869	1,172	946	
1998	4,135*	1,398	1,135	
1999	2,285	1,661	2,101	857
2000	2,439	1,763	1,493	428
2001	2,631	1,935	2,179	544
2002	2,965	2,900	1,889	625

\* Several large victim cases, including one which had 1,300 victims.

**Activity Highlights:**

- ❖ 26,000 plus telephone inquiries;
- ❖ 165 incidents closed through administrative, civil, or criminal action;
- ❖ 15 consumer alerts and press releases warning Utahns against fraud.

**3.5 Program: Department of Commerce - Division of Corporations and Commercial Code**

**Recommendation** The Analyst recommends funding of \$754,700 from the Commerce Service Fund.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Commerce Service	733,000	752,300	754,700	2,400
Lapsing Balance	(32,200)			
<b>Total</b>	<b>\$700,800</b>	<b>\$752,300</b>	<b>\$754,700</b>	<b>\$2,400</b>
<b>Expenditures</b>				
Personal Services	667,000	672,500	674,700	2,200
In-State Travel	300	300	300	
Out of State Travel		1,000	1,000	
Current Expense	31,700	49,600	49,800	200
DP Current Expense	1,800	28,900	28,900	
<b>Total</b>	<b>\$700,800</b>	<b>\$752,300</b>	<b>\$754,700</b>	<b>\$2,400</b>
<b>FTE/Other</b>				
Total FTE	11	11	11	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Division is the State's filing office and repository of all corporations, commercial code, business registration, limited partnerships, limited liability companies, notaries public, collection agencies, trademarks, and agricultural liens. The Division serves registers businesses and provides information, expediting customer needs and making available its records and data collections for public research. This session the notaries public portion may be transferred to the Lieutenant Governor's Office.

Through online web applications, the Division of Corporations had made great strides in providing customers with accessible, convenient and responsive service with 24/7 access to business name searches, annual business renewals, Uniform Commercial code (UCC) and agricultural lien filings and searches, and downloadable forms.

**Performance Measures**

Fiscal Year	Public Transactions	New Business Names	New Corps.	New Liability Companies	Phone Calls
1998	360,000	14,853	9,731	6,924	150,000
1999	300,000	15,516	9,673	8,567	184,999
2000	268,910	16,457	10,270	9,152	206,253
2001	349,989	12,019	10,304	10,015	176,000
2002	370,763	16,443	11,421	11,173	185,000

**3.6 Program: Department of Commerce - Division of Real Estate****Recommendation**

The Analyst recommends funding of \$1,302,000. Funding is primarily from the Commerce Service Fund.

	<b>2002 Actual</b>	<b>2003 Estimated</b>	<b>2004 Analyst</b>	<b>Est/Analyst Difference</b>
<b>Financing</b>				
Dedicated Credits Revenue	222,600	112,200	200,000	87,800
GFR - Commerce Service	1,083,000	1,024,100	1,026,800	2,700
Pass-through		75,400	75,200	(200)
Lapsing Balance	(117,900)			
<b>Total</b>	<b>\$1,187,700</b>	<b>\$1,211,700</b>	<b>\$1,302,000</b>	<b>\$90,300</b>
<b>Expenditures</b>				
Personal Services	809,400	924,800	965,100	40,300
In-State Travel	8,400	9,500	9,500	
Out of State Travel	15,800	20,000	20,000	
Current Expense	133,300	140,500	190,500	50,000
DP Current Expense	1,500	39,200	39,200	
DP Capital Outlay		2,400	2,400	
Other Charges/Pass Thru	219,300	75,300	75,300	
<b>Total</b>	<b>\$1,187,700</b>	<b>\$1,211,700</b>	<b>\$1,302,000</b>	<b>\$90,300</b>
<b>FTE/Other</b>				
<b>Total FTE</b>	<b>16</b>	<b>16</b>	<b>16</b>	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Division of Real Estate regulates Utah's real estate industry. It protects the public through education and licensing. The Division licenses all real estate brokers, sales agents, and appraisers. It investigates, and where necessary, conducts disciplinary proceedings. The Division screens all subdivided lands and time-share projects and insures full disclosure in offerings. The Division audits broker trust accounts, and monitors sales and appraisal to insure they are fair and reasonable. The Division also administers the Utah Residential Mortgage Practices Act and registers residential mortgage professionals and companies not affiliated with financial institutions.

**Performance**

The following table lists the activities reported by the Division through FY 2002. They are primarily activity oriented rather than outcome oriented measures:

<b>Fiscal Year</b>	<b>Utahns Licensed</b>	<b>Seminars</b>	<b>Licensing Exams</b>	<b>Investigation Closes</b>	<b>Newsletters</b>
<b>1998</b>	16,142	16	2,639	207	8
<b>1999</b>	16,586	12	2,830	189	8
<b>2000</b>	16,405	12	2,629	275	10
<b>2001</b>	19,247	11	2,816	350	7
<b>2002</b>	23,972	11	3,314	357	5

**3.7 Program: Department of Commerce – Real Estate Education and Recovery Fund****Recommendation**

The Analyst recommends funding of \$185,500 from the Real Estate Education and Recovery Fund. This is dedicated revenue which cannot be shifted for other programs or purposes.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Real Estate Education and Recovery	152,800	185,100	185,500	400
Beginning Nonlapsing	29,700	63,900		(63,900)
Closing Nonlapsing	(63,900)			
<b>Total</b>	<b>\$118,600</b>	<b>\$249,000</b>	<b>\$185,500</b>	<b>(\$63,500)</b>
<b>Expenditures</b>				
Personal Services	96,700	98,100	98,500	400
In-State Travel		2,800	2,800	
Out of State Travel	400	4,600	4,600	
Current Expense	21,500	136,700	72,800	(63,900)
DP Current Expense		5,800	5,800	
DP Capital Outlay		1,000	1,000	
<b>Total</b>	<b>\$118,600</b>	<b>\$249,000</b>	<b>\$185,500</b>	<b>(\$63,500)</b>
<b>FTE/Other</b>				
<b>Total FTE</b>	<b>2</b>	<b>2</b>	<b>2</b>	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

UCA 61-2a establishes the Real Estate Recovery Fund. The fund reimburses the public for damages up to \$10,000, which are incurred by real estate licensees. A balance of \$100,000 is to remain in the fund to satisfy claims. The Fund can also be appropriated "... to provide revenue for improving the real estate profession through education and research with the goal of making real estate salespeople more responsible to the public." The Real Estate Education Program is funded from the balance in the restricted account in excess of the \$100,000.

**3.8 Program: Department of Commerce - Division of Public Utilities****Recommendation**

The Analyst recommends funding of \$3,095,000. Approximately 94 percent of this budget is from the Commerce Service Fund. A small amount of funding is from the Federal Pipeline Safety Grant.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Federal Funds	236,500	143,200	204,400	61,200
Dedicated Credits Revenue	2,850,000	2,884,300	2,890,600	6,300
Lapsing Balance	(431,600)			
<b>Total</b>	<b>\$2,654,900</b>	<b>\$3,027,500</b>	<b>\$3,095,000</b>	<b>\$67,500</b>
<b>Expenditures</b>				
Personal Services	2,455,800	2,669,400	2,678,100	8,700
In-State Travel	13,000	14,200	14,200	
Out of State Travel	24,300	48,800	48,000	(800)
Current Expense	156,100	186,300	245,900	59,600
DP Current Expense	5,700	98,700	98,700	
DP Capital Outlay		10,100	10,100	
<b>Total</b>	<b>\$2,654,900</b>	<b>\$3,027,500</b>	<b>\$3,095,000</b>	<b>\$67,500</b>
<b>FTE/Other</b>				
Total FTE	35	35	35	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Division of Public Utilities administers rules and orders of the Public Service Commission and state public utility laws. The Division has quasi-judicial and rule making roles. Regulation substitutes for economic competition among non-regulated businesses.

There are approximately 163 public utilities operating in Utah. The Division monitors and evaluates utilities performance and compliance with law and Commission rules. The Division insures utilities financial health while representing rate payer interests. Division issues become more complex as utilities seek deregulation and the market becomes more competitive.

The division inspects pipelines. The Division is also heavily involved with the Legislative task forces looking at the electric industry, deregulation, and other issues.

**Public Utility  
Regulatory Fee  
(PURF)**

The Division prepares the assessment of utility companies to collect the regulatory fee. The PURF is estimated to cover the regulation expenses of the Department and Public Service Commission.

**Performance  
Measures**

	FY 98	FY 99	FY 00	FY 01	FY 02
<b>Complaints Handled</b>	1,212	2,361	2,300	3,007	2,915



**3.9 Program: Department of Commerce - Division of Public Utilities - Professional and Technical****Recommendation**

The Analyst recommends an appropriation of \$100,000 from the Commerce Service Fund. The Analyst recommends non-lapsing intent:

*The Legislature does not intend to lapse these funds.*

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Commerce Service	100,000	100,000	100,000	
Beginning Nonlapsing	164,700	84,800		(84,800)
Closing Nonlapsing	(84,800)			
<b>Total</b>	<u>\$179,900</u>	<u>\$184,800</u>	<u>\$100,000</u>	<u>(\$84,800)</u>
<b>Expenditures</b>				
Current Expense	179,900	184,800	100,000	(84,800)
<b>Total</b>	<u>\$179,900</u>	<u>\$184,800</u>	<u>\$100,000</u>	<u>(\$84,800)</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Division of Public Utilities hires expert witnesses to perform special studies and appear in rate cases before the Public Service Commission. These funds have traditionally been non-lapsing and have been appropriated in a separate line item.

**3.10 Program: Department of Commerce - Committee of Consumer Services****Recommendation**

The Analyst recommends funding of \$840,200 from the Commerce Service Fund. These funds come to the Commerce Service Fund from the Public Utility Regulator Fee (PURF). If the budget is reduced the funds go back to the regulated utilities.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Commerce Service	652,700	838,500	840,200	1,700
Transfers	(100,500)			
<b>Total</b>	<b>\$552,200</b>	<b>\$838,500</b>	<b>\$840,200</b>	<b>\$1,700</b>
<b>Expenditures</b>				
Personal Services	505,300	752,100	755,000	2,900
In-State Travel	3,500	6,000	6,000	
Out of State Travel	11,200	28,000	28,000	
Current Expense	28,800	26,900	25,700	(1,200)
DP Current Expense	3,400	23,500	23,500	
DP Capital Outlay		2,000	2,000	
<b>Total</b>	<b>\$552,200</b>	<b>\$838,500</b>	<b>\$840,200</b>	<b>\$1,700</b>
<b>FTE/Other</b>				
Total FTE	8	8	8	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Committee is a policy board that represents the interests of residential, small business and agricultural rate payers before the Public Service Commission. Its purpose is to represent consumers who might not otherwise have an effective voice before the Commission. The Committee has nine staff members and one Assistant Attorney General.

**Intent Language**

The Analyst again recommends the following intent language:

*The Legislature intends that at the end of the fiscal year, unused funds for the Committee on Consumer Services lapse to the Committee's Professional and Technical Services fund.*

The Committee anticipates a caseload increase over the next 18 months.

### 3.11 Program: Department of Commerce - Committee of Consumer Services - Professional and Technical

#### Recommendation

The Analyst recommends funding of \$500,000 from the General Fund Restricted Commerce Service Fund. These funds come from the Public Utility Regulator Fee (PURF).

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Commerce Service	500,000	500,000	500,000	
Transfers	80,500	100,500		(100,500)
Beginning Nonlapsing	191,200	399,200		(399,200)
Closing Nonlapsing	(399,200)			
<b>Total</b>	<u>\$372,500</u>	<u>\$999,700</u>	<u>\$500,000</u>	<u>(\$499,700)</u>
<b>Expenditures</b>				
Out of State Travel	5,900			
Current Expense	366,600	999,700	500,000	(499,700)
<b>Total</b>	<u>\$372,500</u>	<u>\$999,700</u>	<u>\$500,000</u>	<u>(\$499,700)</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Committee of Consumer Services hires expert witnesses to appear in rate cases before the Public Service Commission. These funds have traditionally been non-lapsing and have been appropriated in a separate line item.

**3.12 Program Department of Commerce - Building Operations and Maintenance****Recommendation**

The Analyst recommends funding of \$233,300. Funding is from the General Fund Restricted - Commerce Service Fund with a \$2,000 addition from Trust Accounts.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Commerce Service	223,300	231,300	231,300	
Trust and Agency Funds	2,000	2,000	2,000	
Transfers	1,900			
Beginning Nonlapsing	20,000			
Lapsing Balance	(20,000)			
<b>Total</b>	<u>\$227,200</u>	<u>\$233,300</u>	<u>\$233,300</u>	<u>\$0</u>
<b>Expenditures</b>				
Current Expense	227,200	233,300	233,300	
<b>Total</b>	<u>\$227,200</u>	<u>\$233,300</u>	<u>\$233,300</u>	<u>\$0</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Department of Commerce is primarily located at the Heber M. Wells Building off of Third South and First East in Salt Lake City. The building is owned and operated by the Division of Facilities and Construction Management (DFCM) of the State Department of Administrative Services.

## 4.0 Additional Information

## 4.1(a) Tables: Department of Commerce – General Regulation

	2000	2001	2002	2003	2004
	Actual	Actual	Actual	Estimated*	Analyst
<b>Financing</b>					
General Fund	35,000		3,900		
General Fund Restricted	14,614,900	15,114,600	13,749,000	14,330,000	14,365,400
Centennial Highway Fund	(693,900)				
Federal Funds	141,400	96,900	236,500	143,200	204,400
Dedicated Credits	361,100	405,400	3,494,100	3,325,100	4,356,000
Restricted Revenue		104,400			
Trust and Agency Funds	147,500	144,300	154,800	187,100	187,500
Transfers	330,000	204,000	(20,000)	100,500	
Pass-through				75,400	75,200
Beginning Balance	1,118,400	1,174,200	1,248,600	1,168,900	
Closing Balance	(1,167,800)	(1,409,600)	(1,168,900)		
Lapsing Balance	(474,100)	(710,900)	(1,212,500)		
<b>Total</b>	<b>\$14,412,500</b>	<b>\$15,123,300</b>	<b>\$16,485,500</b>	<b>\$19,330,200</b>	<b>\$19,188,500</b>
<b>Programs</b>					
Commerce General Regulation	13,594,000	14,631,200	15,814,500	17,896,700	18,403,000
Real Estate Education	151,900	136,100	118,600	249,000	185,500
Public Utilities Professional & Technical	180,100	2,000	179,900	184,800	100,000
Committee of Consumer Services Profess	486,500	354,000	372,500	999,700	500,000
<b>Total</b>	<b>\$14,412,500</b>	<b>\$15,123,300</b>	<b>\$16,485,500</b>	<b>\$19,330,200</b>	<b>\$19,188,500</b>
<b>Expenditures</b>					
Personal Services	10,789,600	11,411,800	12,411,800	13,955,000	14,238,100
In-State Travel	63,300	68,900	65,200	99,000	99,000
Out of State Travel	113,200	119,700	106,100	201,700	200,900
Current Expense	2,831,300	2,845,700	2,918,000	4,122,000	3,680,000
DP Current Expense	487,100	498,400	708,400	684,700	702,700
DP Capital Outlay	33,100		56,700	192,500	192,500
Capital Outlay	9,800	82,000			
Other Charges/Pass Thru	85,100	96,800	219,300	75,300	75,300
<b>Total</b>	<b>\$14,412,500</b>	<b>\$15,123,300</b>	<b>\$16,485,500</b>	<b>\$19,330,200</b>	<b>\$19,188,500</b>
<b>FTE/Other</b>					
Total FTE	242	251	236	236	236

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.

**4.2 Federal Funds: Department of Commerce****Future Impact of  
Current Federal  
Fund Decisions**

Federal funding is minimal for this Department. The one federal fund grant has been relatively stable and there is no expectation that this will change in the foreseeable future.

<b>Program</b>		<b>FY 2002 Actual</b>	<b>FY 2003 Estimated</b>	<b>FY 2004 Analyst</b>
Division of Public Utilities Pipe Safety Grant	Federal	\$236,500	\$143,200	\$204,400
	Required State Match	236,500	143,200	204,400
	<b>Total</b>	<b>473,000</b>	<b>286,400</b>	<b>408,800</b>
<b>TOTAL</b>				
	Federal	236,500	143,200	204,400
	Required State Match	236,500	143,200	204,400
	<b>Total</b>	<b>\$473,000</b>	<b>\$286,400</b>	<b>\$408,800</b>

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## Fees for Administration:

	Old Fee	New Fee	Fee Change	Quantity	Rev Change
Commerce Department (All Divisions)					
Photocopies (per copy)	.30	.30			
Booklets (cost or)	5.00	5.00			
Priority Processing Fee	75.00	75.00			
List of Licensees/Business Entities (cost or)	25.00	25.00			
Late Renewal Fee (except Corporations which is \$10 by statute and Consumer Protection which is \$25 by statute.)	20.00	20.00			
Verification of Licensure/Custodian of Record	20.00	20.00			
Returned Check Charge	20.00	20.00			
On-line Payment Convenience Fee	2.50	2.50			
<p>Note 1: No fee charged and collected by the department will be refunded for failure to qualify or for voluntary or involuntary withdrawal of an application or request for service.</p> <p>Note 2: Overpayment in excess of \$10 will be automatically refunded. Smaller overpayments will be refunded only upon request.</p> <p>Note 3: If the proposed fee schedules for DOPL and Corp are accepted as submitted, neither of these two Divisions will be charging the convenience fee.</p>					
Administration					
Motor Vehicle Franchise Act					
Application Fee	80.00	80.00			
Renewal Fee	80.00	80.00			
Powersport Vehicle Franchise Act					
Application Fee	80.00	80.00			
Renewal Fee	80.00	80.00			
Application Fee in addition to MVFA	25.00	25.00			
Renewal Fee in addition to MVFA	25.00	25.00			
Athletic Commissions					
Promoters-Application Filing	100.00	100.00			
Professional Contestant-License Renewal	25.00	25.00			
Professional Contestant-Application Filing	25.00	25.00			
Judges-License Renewal	25.00	25.00			
Judges-Applications Filing	25.00	25.00			
Referees-License Renewal	25.00	25.00			
Referees-Application Filing	25.00	25.00			
Managers-License Renewals	25.00	25.00			
Managers-Application Filing	25.00	25.00			
Seconds-License Renewals	25.00	25.00			
Seconds-Application Filing	25.00	25.00			
Contest Registration Fee	250.00	250.00			
Promotions (Percent of Total-gate receipts) (3.00%)	.04		-.04		
Amateur Boxing Fund Fee (per ticket sold)(1/2 of 3%)	1.00		-1.00		
TV distribution rights (Percent of Total-gate receipts)(3.00%)	.04		-.04		
Expedite Fee	75.00		-75.00		
<b>Total</b>					<b>\$0</b>

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<b>Fees for Occupational &amp; Professional Licensing:</b>	<b>Old Fee</b>	<b>New Fee</b>	<b>Fee Change</b>	<b>Quantity</b>	<b>Rev Change</b>
UCCH Name Search	10.00	10.00			
BCI Fingerprint File Search (cost or)	15.00	15.00			
FBI Fingerprint File Search (cost or)	24.00	24.00			
Acupuncturist:					
License Renewal	50.00	60.00	10.00		
New Application Filing	100.00	110.00	10.00		
Alarm Company:					
Agent License Renewal	20.00	40.00	20.00		
Agent Application Filing	40.00	60.00	20.00		
Company License Renewal	100.00	200.00	100.00		
Company Application Filing	300.00	330.00	30.00		
UCCH Name Search (cost or)	10.00		-10.00		
BCI Fingerprint File Search (cost or...)	15.00	15.00			
FBI Fingerprint File Search (cost or...)	24.00	24.00			
Alternative Dispute Resolution Provider:					
License Renewal	50.00	60.00	10.00		
New Application Filing	75.00	85.00	10.00		
Architect:					
Education and Enforcement Surcharge	10.00	10.00			
License Renewal	50.00	60.00	10.00		
New Application Filing	100.00	110.00	10.00		
Athletic Agents:					
License Renewal	500.00	510.00	10.00		
New Application Filing	500.00	510.00	10.00		
Building Inspector:					
License Renewal	50.00	60.00	10.00		
New Application Filing	75.00	85.00	10.00		
Certified Dietician					
License Renewal	25.00	35.00	10.00		
New Application Filing	50.00	60.00	10.00		
Certified Nurse Midwife					
Intern-New Application Filing	25.00	35.00	10.00		
License Renewal	50.00	60.00	10.00		
New Application Filing	90.00	100.00	10.00		
Certified Public Accountant Quality Review CPA Firm:					
On-site Review (plus \$30 per employed CPA)	550.00	550.00			
Offsite Review (plus \$30 per employed CPA)	400.00	400.00			
Certified Public Accountant:					
Individual CPA Application Filing	75.00	85.00	10.00		
Individual License/Certificate Renewal	50.00	60.00	10.00		
CPA Firm Application for Registration	80.00	90.00	10.00		
CPA Firm Registration Renewal	40.00	50.00	10.00		
Examination Record Fee	30.00	30.00			
Certified Shorthand Reporter					
License Renewal	30.00	40.00	10.00		
New Application Filing	35.00	45.00	10.00		
Chiropractic Physician					
License Renewal	50.00	100.00	50.00		
New Application Filing	100.00	200.00	100.00		
Contractor					
Corporation Conversion Fee		35.00	35.00		
Change Qualifier fees	40.00	50.00	10.00		
New Application Filing-Secondary Classification	100.00	110.00	10.00		
License Renewal	100.00	110.00	10.00		
New Application Filing-Primary Classification	200.00	210.00	10.00		
Controlled Substance					
License Renewal	50.00	65.00	15.00		
New Application Filing	90.00	90.00			
Controlled Substance Precursor					
Purchaser License Renewal	50.00	60.00	10.00		
Purchaser New Application Filing	100.00	110.00	10.00		
Distributor License Renewal	100.00	110.00	10.00		
Distributor New Application Filing	200.00	210.00	10.00		
Cosmetologist/Barber:					
School License Renewal	100.00	110.00	10.00		
School New Application Filing	100.00	110.00	10.00		



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Cosmetologist/Barber:			
Instructor Certificate	50.00	60.00	10.00
License Renewal	40.00	50.00	10.00
New Application Filing	50.00	60.00	10.00
Deception Detection			
Intern License Renewal	20.00	30.00	10.00
Intern New Application Filing	25.00	35.00	10.00
Examiner License Renewal	20.00	30.00	10.00
Examiner New Application Filing	40.00	50.00	10.00
BCI Fingerprint File Search (cost or...)	15.00	15.00	
FBI Fingerprint File Search cost or...	24.00	24.00	
Dental Hygienist			
Anesthesia Upgrade (new application)	25.00	35.00	10.00
License Renewal	25.00	35.00	10.00
New Application Filing	50.00	60.00	10.00
Dentist			
Anesthesia Upgrade (new application)	50.00	60.00	10.00
License Renewal	50.00	60.00	10.00
New Application Filing	100.00	110.00	10.00
Electrician			
License Renewal	50.00	60.00	10.00
New Application Filing	100.00	110.00	10.00
Electrologist			
School License Renewal	100.00	110.00	10.00
School New Application Filing	100.00	110.00	10.00
Instructor Certificate	50.00	60.00	10.00
License Renewal	20.00	30.00	10.00
New Application Filing	40.00	50.00	10.00
Employer Organization			
License Renewal (annual)	2,000.00	2,010.00	10.00
New Application Fee	2,000.00	2,010.00	10.00
Engineer			
New Application Filing	100.00	110.00	10.00
Engineer:			
Education and Enforcement Surcharge	10.00	10.00	
Exam Record Fee	30.00	30.00	
Structural Engineer License Renewal	50.00	60.00	10.00
Structural Engineer New Application Filing	100.00	110.00	10.00
Engineer License Renewal	50.00	60.00	10.00
Environmental Health Scientist:			
License Renewal	25.00	35.00	10.00
Environmental Health Scientist: In Training			
New Application Filing	50.00	60.00	10.00
Esthetician:			
License Renewal	50.00	60.00	10.00
Instructor Certificate	40.00	50.00	10.00
Master Esthetician New Application Filing	50.00	60.00	10.00
Master Esthetician License Renewal	75.00	85.00	10.00
School New Application Filing	55.00	65.00	10.00
School License Renewal	100.00	110.00	10.00
School License Renewal	100.00	110.00	10.00
Factory Built Housing:			
Factory Built Housing Education and Enforcement Fee	75.00	75.00	
On-site Plant Inspection (per hour plus expenses)	50.00	50.00	
Dealer License Renewal	30.00	30.00	
Dealer New Application Filing	30.00	30.00	
Funeral Services:			
Establishment License Renewal	100.00	200.00	100.00
Establishment New Application Filing	100.00	200.00	100.00
Apprentice License Renewal	20.00	70.00	50.00
Apprentice New Application Filing	25.00	85.00	60.00
Director License Renewal	75.00	85.00	10.00
Director New Application Filing	150.00	160.00	10.00
Genetic Counselor:			
New Application Filing	150.00	150.00	
License Renewal	135.00	135.00	

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Geologist:			
New Application Filing	150.00	150.00	
License Renewal	120.00	120.00	
Education and Enforcement Fund	15.00	15.00	
Health Care Assistant:			
BCI Fingerprint File Search (cost or)	15.00	15.00	
FBI Fingerprint File Search (cost or)	24.00	24.00	
License Renewal	13.00	25.00	12.00
New Application Filing	20.00	30.00	10.00
Health Facility Administrator:			
License Renewal	40.00	80.00	40.00
New Application Filing	60.00	120.00	60.00
Hearing Instrument Intern			
Application Filing	25.00	35.00	10.00
Hearing Instrument Specialist:			
License Renewal	50.00	100.00	50.00
New Application Filing	100.00	150.00	50.00
Land Surveyor:			
Education and Enforcement Surcharge	10.00	10.00	
Examination Record Fee	30.00	30.00	
License Renewal	50.00	60.00	10.00
New Application Filing	100.00	110.00	10.00
Landscape Architect:			
Education and Enforcement Surcharge	10.00	10.00	
Examination Fee Record	30.00	30.00	
License Renewal	50.00	60.00	10.00
New Application Filing	100.00	110.00	10.00
Marriage and Family Therapist:			
Intern New Application Filing	75.00	85.00	10.00
Coursework Review Fee	25.00	25.00	
License Renewal	65.00	90.00	25.00
New Application Filing	75.00	120.00	45.00
Massage:			
Apprentice BCI Fingerprint File Search (cost or)	15.00	15.00	
Apprentice FBI Fingerprint File Search (cost or)	24.00	24.00	
Application License Renewal	25.00	35.00	10.00
Apprentice New Application Filing	25.00	35.00	10.00
Therapist BCI FingerprintFile Search (cost or)	15.00	15.00	
Therapist FBI Fingerprint File Search (cost or)	24.00	24.00	
Therapist License Renewal	40.00	50.00	10.00
Therapist New Application Filing	50.00	60.00	10.00
Nail Instructor:			
Instructor Certificate	50.00	60.00	10.00
Nail Technician:			
School License Renewal	100.00	110.00	10.00
School New Application Filing	100.00	110.00	10.00
License Renewal	40.00	50.00	10.00
New Application Filing	50.00	60.00	10.00
Naturopathic Physician:			
License Renewal	50.00	100.00	50.00
New Application Filing	100.00	200.00	100.00
Nursing:			
Licensed Practical Nurse New Application Filing	50.00	60.00	10.00
Licensed Practical Nurse License Renewal	43.00	55.00	12.00
Registered Nurse New Application Filing	50.00	60.00	10.00
Registered Nurse License Renewal	43.00	55.00	12.00
Advanced Practice RN New Application Filing	90.00	100.00	10.00
Advanced Practice RN License Renewal	53.00	65.00	12.00
Advanced Practice RN-Intern License Renewal	25.00	35.00	10.00
Certified Nurse Anesthetist New Application Filing	90.00	100.00	10.00
Certified Nurse Anesthetist License Renewal	53.00	65.00	12.00
Educational Program Approval-Initial Visit	500.00	500.00	
Educational Program Approval-Follow-up	250.00	250.00	
FBI Fingerprint File Search (cost or)	24.00	24.00	
BCI Fingerprint File Search (cost or)	15.00	15.00	
Occupational Therapist:			
Occupational Therapist Assistants License Renewal	35.00	45.00	10.00

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Occupational Therapist:			
Occupational Therapist Assistant New Application Filing	60.00	70.00	10.00
Occupational Therapist License Renewal	35.00	45.00	10.00
Occupational Therapist New Application Filing	60.00	70.00	10.00
Optometrist:			
License Renewal	80.00	90.00	10.00
New Application Filing	130.00	140.00	10.00
Osteopathic Physician and Surgeon:			
License Renewal	120.00	180.00	60.00
New Application Filing	180.00	200.00	20.00
Other:			
UBC Building Permit surcharge (Statute) (variable)			
UBC Seminar Fees (variable)			
Prelitigation Filing	60.00	80.00	20.00
Disciplinary File Search (per order document)	10.00	10.00	
Duplicate License	10.00	10.00	
License/Registration Reinstatement	50.00	50.00	
Temporary License	50.00	50.00	
Inactive/Reactivation/Emeritus License	50.00	50.00	
Pharmacy:			
Pharmacist New Application Filing	100.00	110.00	10.00
Pharmacist License Renewal	50.00	60.00	10.00
Pharmacy Intern New Application Filing	25.00	100.00	75.00
Pharmacy New Application Filing	100.00	200.00	100.00
Pharmacy License Renewal	50.00	100.00	50.00
Pharmaceutical Manufacturer-New App Filing	100.00	200.00	100.00
Pharmaceutical Manufacturer-License Renewal	50.00	100.00	50.00
Pharm Wholesaler/Distributor-New App Filing	100.00	200.00	100.00
Pharm Wholesaler/Distributor-Lic. Renewal	50.00	100.00	50.00
Veterinary Pharm Outlet-New App Filing	100.00	200.00	100.00
Veterinary Pharm Outlet-License Renewal	50.00	100.00	50.00
Pharm Research-New Application Filing	100.00	200.00	100.00
Pharm Research-License Renewal	50.00	100.00	50.00
Pharm Dog Trainer-New Application Filing	100.00	200.00	100.00
Pharm Dog Trainer-License Renewal	50.00	100.00	50.00
Pharm Teaching Organization-New App Filing	100.00	200.00	100.00
Pharm Teaching Organization-Lic Renewal	50.00	100.00	50.00
Euthanasia Agency-New Application Filing	100.00	200.00	100.00
Euthanasia Agency-License Renewal	50.00	100.00	50.00
Analytical Laboratory-New Application Filing	100.00	200.00	100.00
Analytical Laboratory-License Renewal	50.00	100.00	50.00
Pharmacy Technician-New Application Filing	50.00	60.00	10.00
Pharmacy Technician-License Renewal	35.00	45.00	10.00
Pharmacy Administration-New Application Filing	100.00	200.00	100.00
Pharm Administration-License Renewal	50.00	100.00	50.00
Pharmaceutical Out-of-State Mail Order	100.00	200.00	100.00
Pharmaceutical Out-of-State Mail Order Renewal	50.00	100.00	50.00
Physical Therapy:			
New Application Filing	60.00	70.00	10.00
License Renewal	35.00	45.00	10.00
Physician Assistant:			
New Application Filing	130.00	180.00	50.00
License Renewal	75.00	120.00	45.00
Physician/Surgeon:			
New Application Filing	180.00	200.00	20.00
License Renewal	120.00	180.00	60.00
Plumber:			
New Application Filing	100.00	110.00	10.00
License Renewal	50.00	60.00	10.00
Podiatric Physician:			
New Application Filing	130.00	200.00	70.00
License Renewal	80.00	100.00	20.00
Pre-Need Funeral Arrangement:			
Provider New Application Filing	100.00	110.00	10.00
Provider License Renewal	50.00	60.00	10.00
Sales Agent New Application Filing	40.00	85.00	45.00
Sales Agent License Renewal	30.00	70.00	40.00

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Private Probation Provider:			
New Application Filing	75.00	85.00	10.00
License Renewal	50.00	60.00	10.00
Professional Counselor:			
New Application Filing	75.00	120.00	45.00
License Renewal	65.00	90.00	25.00
Coursework Review Fee	25.00	25.00	
Professional Counselor Intern New Application Filing	75.00	85.00	10.00
Psychologist:			
New Application Filing	100.00	200.00	100.00
License Renewal	50.00	125.00	75.00
Certified Psychology Resident New App Filing	75.00	75.00	
Radiology:			
Radiology Technologist New Application Filing	60.00	70.00	10.00
Radiology Technologist License Renewal	35.00	45.00	10.00
Radiology Practical Technologist New Application Filing	60.00	70.00	10.00
Radiology Practical Technologist License Renewal	35.00	45.00	10.00
Recreation Therapy:			
Master/TRS New Application Filing	60.00	70.00	10.00
Master/TRS License Renewal	35.00	45.00	10.00
Therapeutic/TRT New Application Filing	60.00	70.00	10.00
Therapeutic/TRT License Renewal	35.00	45.00	10.00
Residence Lien Recovery Fund:			
Late Fee	20.00	20.00	
Reinstatement of Lapsed Registration	100.00	100.00	
Laborer Beneficiary Claim Fee	15.00	15.00	
Beneficiary Claim Fee	120.00	120.00	
Non-Laborers Beneficiary Claim Fee	75.00	75.00	
Post-claim Laborer Assessment	20.00	20.00	
Non-contractor Registration	25.00	25.00	
Initial Assessment	195.00	195.00	
Respiratory Care Practitioner:			
License Renewal	40.00	50.00	10.00
New Application Filing	50.00	60.00	10.00
Security Services:			
Alarm Response Runner-License Renewal	20.00		-20.00
Alarm Response Runner-New Application Filing	40.00		-40.00
Unarmed Security Officer New License Renewal	20.00	40.00	20.00
Unarmed Security Officer New Application Filing	40.00	60.00	20.00
Armed Security Officer New License Renewal	20.00	40.00	20.00
Armed Private Security Officer New Application Filing	40.00	60.00	20.00
Education Program Approval Renewal	100.00	100.00	
Education Program Approval	300.00	300.00	
Replace/Change Qualifier	40.00	50.00	10.00
Contract Security Company Renewal	100.00	200.00	100.00
Contract Security Company Application Filing	300.00	330.00	30.00
BCI Fingerprint File Search (cost or...)	15.00	15.00	
FBI Fingerprint File Search (cost or...)	24.00	24.00	
Social Worker:			
Social Service Worker License Renewal	65.00	75.00	10.00
Social Service Worker New Application Filing	75.00	85.00	10.00
Certified Social Worker License Renewal	65.00	90.00	25.00
Certified Social Worker New Application Filing	75.00	120.00	45.00
Clinical Social Worker License Renewal	65.00	90.00	25.00
Clinical Social Worker New Application Filing	75.00	120.00	45.00
Speech Language Pathologist/Audiologist:			
Audiologist License Renewal	35.00	45.00	10.00
Audiologist New Application Filing	60.00	70.00	10.00
Speech Language Pathologist License Renewal	35.00	45.00	10.00
Speech Language Pathologist New Application Filing	60.00	70.00	10.00
Substance Abuse Counselor, (Licensed)			
License Renewal	65.00	75.00	10.00
New Application Filing	75.00	85.00	10.00
Veterinarian:			
	100.00	150.00	50.00
License Renewal	50.00	70.00	20.00
Veterinarian Intern:			
New Application Filing	25.00	35.00	10.00
<b>Total</b>			

\$0

	Old Fee	New Fee	Fee Change	Quantity	Rev Change
<b>Fees for Securities:</b>					
Securities Registration:					
Qualification Registration	300.00	300.00			
Coordinated Registration	300.00	300.00			
Notification Registration	300.00	300.00			
Securities Exemptions:					
Investment Companies	500.00	500.00			
All other Securities Exemptions	60.00	60.00			
Transactional Exemptions:					
Transactional Exemptions	60.00	60.00			
No-action and Interpretative Opinions	120.00	120.00			
Licensing:					
Agent	50.00	50.00			
Broker/Dealer	75.00	100.00	25.00		
Investment Advisor (New and Renewal)	75.00	75.00			
Investment Advisor Representative (New and Renewal)	30.00	30.00			
Certified Dealer:					
New and Renewal	500.00	500.00			
Covered Securities Notice Filings:					
Investment Companies	500.00	500.00			
All Other Covered Securities	60.00	60.00			
Federal Covered Adviser					
New and Renewal	75.00	75.00			
Other:					
Statute Booklet					
Rules and Forms Booklet (Excluding SCOR)					
Small Corp. Offering Registration (SCOR)					
Postage and Handling					
<b>Total</b>					<b>\$0</b>

# Legislative Fiscal Analyst

<b>Fees for Consumer Protection:</b>	<b>Old Fee</b>	<b>New Fee</b>	<b>Fee Change</b>	<b>Quantity</b>	<b>Rev Change</b>
Charitable Solicitation Act:					
Charity	100.00	100.00			
Professional Fund Raiser	250.00	250.00			
Telephone Solicitation:					
Telemarketing Registration	250.00	250.00			
Health Spa:					
Health Spa	100.00	100.00			
Credit Services Organization:					
Credit Services Organization	100.00	100.00			
Business Opportunity Disclosure Register:					
Exempt	100.00	100.00			
Business Opportunity Disclosure:					
Approved	200.00	200.00			
Personal Introduction Service:					
Personal Introduction Service	100.00	100.00			
Proprietary Schools:					
Initial Application	250.00	250.00			
Renewal Application (1% of gross)					
Registration Review (1% of gross)					
1% of Gross tuition with a Min. of \$100 or Max. \$200					
<b>Total</b>					<b>\$0</b>

# Legislative Fiscal Analyst

<b>Fees for Corporations and Commercial Code:</b>	<b>Old Fee</b>	<b>New Fee</b>	<b>Fee Change</b>	<b>Quantity</b>	<b>Rev Change</b>
Articles of Incorporation:					
Domestic Profit	50.00	50.00			
Domestic Nonprofit	20.00	20.00			
Foreign Profit	50.00	50.00			
Foreign Nonprofit	20.00	20.00			
Corporate Sole	20.00	20.00			
Requalification/Reinstatement:					
Profit	50.00	50.00			
Nonprofit	20.00	20.00			
Changes of Corporate Status:					
Amend/Restate/Merge-Profit	25.00	25.00			
Amend/Restate/Merge-Nonprofit	15.00	15.00			
Amendment-Foreign	35.00	35.00			
Conversion	35.00	35.00			
Annual Report:					
Profit	10.00	10.00			
Nonprofit	5.00	5.00			
Limited Partnership	10.00	10.00			
Limited Liability Company	10.00	10.00			
On-line	10.00	10.00			
Change Form	10.00	10.00			
Certification:					
Corporate Standing-In House	10.00	10.00			
Corporate Standing-Long Form	20.00	20.00			
Corporation Search:					
In House	10.00	10.00			
Limited Partnership:					
Certificate	50.00	50.00			
Reinstate/Requalify	50.00	50.00			
Amend/Restate/Merge	25.00	25.00			
Conversion		35.00	35.00		
DBA:					
Registration	20.00	20.00			
Renewals	20.00	20.00			
Trademark:					
Registration	20.00	20.00			
Assignments	5.00	5.00			
Renewals	20.00	20.00			
Limited Liability Company:					
Articles of Organization	50.00	50.00			
Reinstate/Requalify	50.00	50.00			
Amend/Merge	35.00	35.00			
Conversion		35.00	35.00		
Miscellaneous:					
Summons	10.00	10.00			
Out of State Motorist Summons	5.00	5.00			
Collection Agency Bond	30.00	30.00			
Foreign Name Registration	20.00	20.00			
Statement of Certification	10.00	10.00			
Name Reservation	20.00	20.00			
Telecopier Transmittal	5.00	5.00			
Telecopier Transmittal (per page)	1.00	1.00			
Commercial Code Lien Filing:					
UCC Filings with or without ID Number	10.00	10.00			
UCC III Assignment/Amendment	10.00	10.00			
CFS-1	10.00	10.00			
CFS-3	10.00	10.00			
CFS-2	5.00	5.00			
Lien Search:					
Search	10.00	10.00			
Notary:					
Bond and Certificate	20.00	20.00			
Bond Rider	5.00	5.00			
Certificate	5.00	5.00			
Workshop Registration	10.00	10.00			
Digital Signatures:					
Certification Authority Licensing	500.00	500.00			
Recognition of Repository	250.00	250.00			
<b>Total</b>					<b>\$0</b>

<b>Fees for Real Estate:</b>	<b>Old Fee</b>	<b>New Fee</b>	<b>Fee Change</b>	<b>Quantity</b>	<b>Rev Change</b>
<b>Broker/Sales Agent:</b>					
New Application (2 year)	100.00	100.00			
Finger Printing (Cost or)	39.00	39.00			
Renewal	50.00	50.00			
<b>Appraisers:</b>					
Licensed and Certified-Application	350.00	350.00			
Licensed and Certified-Renewal	350.00	350.00			
National Register (Cost or )	50.00	50.00			
Temporary Permit	100.00	100.00			
Appraiser expert witness fee	200.00	200.00			
<b>Miscellaneous:</b>					
Activation	15.00	15.00			
New Company	25.00	25.00			
Branch Office	25.00	25.00			
Company Broker Change	15.00	15.00			
<b>Mortgage Broker:</b>					
Mortgage Broker Entities-Application	200.00	200.00			
Mortgage Broker Entities-Renewal	200.00	200.00			
Mortgage Lender Registrant-Application	200.00	200.00			
Mortgage Lender Registrant- Renewal	200.00	200.00			
<b>Mortgage Broker</b>					
Finger Printing (cost or)	39.00	39.00			
<b>Miscellaneous:</b>					
Activation	15.00	15.00			
New Company	25.00	25.00			
Branch Office	25.00	25.00			
Company Broker Change	15.00	15.00			
<b>Service Fees:</b>					
Duplicate License	10.00	10.00			
Certifications/Histories (up to 5 years)	10.00	10.00			
Certifications/Histories (more than 5 years)	50.00	50.00			
License/Registration Reinstatement	50.00	50.00			
No Action Letter	120.00	120.00			
<b>Subdivided Land:</b>					
Exemption-HUD	100.00	100.00			
Exemption:Water Corporation	50.00	50.00			
Temporary Permit	100.00	100.00			
Application (plus \$3.00 per unit charge over 30)	500.00	500.00			
Inspection Deposit	300.00	300.00			
Consolidation (plus \$3.00 per unit charge)	200.00	200.00			
Per unit charge	3.00	3.00			
Renewal Report	200.00	200.00			
<b>Timeshare and Camp Resort:</b>					
Salesperson-New and Renewal	50.00	50.00			
Registration	500.00	500.00			
per unit charge over 100	3.00	3.00			
Inspection Deposit	300.00	300.00			
Consolidation (plus \$3.00 per unit charge)	200.00	200.00			
per unit charge	3.00	3.00			
Temporary Permit	100.00	100.00			
Renewal Report	200.00	200.00			
<b>Supplementary Filing Fee:</b>					
Supplementary Filing Fee	200.00	200.00			
<b>Total</b>					<b>\$0</b>



**Fees for Real Estate Education:**

## Real Estate Education:

	Old Fee	New Fee	Fee Change	Quantity	Rev Change
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Real Estate Education Broker/Dealer	1.00	1.00			
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Real Estate Education Agent	1.00	1.00			
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## Certifications

Real Estate Prelicense Course Certification	25.00	25.00			
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Appraiser Prelicense Course Certification	25.00	25.00			
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Real Estate Continuing Education Course Certification	35.00	35.00			
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Real Estate Prelicense Instructor Certification	15.00	15.00			
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Real Estate Continuing Education Instructor Certification	15.00	15.00			
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Appraiser Prelicense Instructor Certification	15.00	15.00			
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## Other:

Trust Account Seminar	5.00	5.00			
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Verification (per copy)	20.00	20.00			
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License Registration Reinstatement	50.00	50.00			
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Laws and Rules	3.00	3.00			
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If mailed	5.00	5.00			
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No Action Letter	120.00	120.00			
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<b>Total</b>					<b>\$0</b>
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Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Department of Financial Institutions**

**Contents:**

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information



## 1.0 Department of Financial Institutions

### Summary

The Department of Financial Institutions regulates depository institutions: state-chartered deposit taking institutions including banks, savings and loan associations, credit unions, and Industrial Loan Corporations. It also regulates Third-Party Payment Providers, Independent Escrow Companies, Check Cashers and Payday Lenders, and Mortgage Loan Servicers operating in Utah.

Funding for the Department is from a General Fund Restricted Account for Financial Institutions. Fees are collected on assets under supervision and on some examinations (UCA 7-1-401,402, 403). These funds are used solely for the regulation of financial institutions. Funds remaining at the end of the year lapse back to the restricted account.

### Department Mission Statement

The Department of Financial Institutions promotes the availability of sound financial services through chartering, regulating, and supervising. The Department is open to establishing new and enhancing existing financial products.

The department's primary activity is the examination of depository institutions for financial strength and solvency. In the case of depository institutions, the statutory charge is to charter, regulate, supervise and safeguard the interest of shareholders, members, depositors, and borrowers, through on site examinations and remedial action orders.

For persons or entities that provide public financial services, the statutory requirement is that consumer credit terms be lawful and easily understood.

### Financial Summary

	Analyst FY 2004	Analyst FY 2004	Analyst FY 2004
	Base	Changes	Total
<b>Financing</b>			
General Fund Restricted	4,190,600	(200)	4,190,400
<b>Total</b>	<u>\$4,190,600</u>	<u>(\$200)</u>	<u>\$4,190,400</u>
<b>Programs</b>			
Financial Institutions Administration	4,190,600	(200)	4,190,400
<b>Total</b>	<u>\$4,190,600</u>	<u>(\$200)</u>	<u>\$4,190,400</u>
<b>FTE/Other</b>			
Total FTE	50		50

### Retirement Rate Reduction

A Legislature reduced budgets for retirement rates. This reduction was allocated to all agencies. The amount from the Financial Institutions is \$200.

### 3.1 Programs: Financial Institutions-Administration

#### Recommendation

The Analyst recommends funding of \$4,075,600 General Fund Restricted - Financial Institutions. This funding is for all Department personnel and operations.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Financial Institutions	3,825,100	4,066,800	4,075,600	8,800
Lapsing Balance	(538,300)			
<b>Total</b>	<b>\$3,286,800</b>	<b>\$4,066,800</b>	<b>\$4,075,600</b>	<b>\$8,800</b>
<b>Expenditures</b>				
Personal Services	2,728,100	3,516,700	3,664,100	147,400
In-State Travel	78,200	99,100	83,000	(16,100)
Out of State Travel	78,000	105,500	88,500	(17,000)
Current Expense	204,300	235,200	176,700	(58,500)
DP Current Expense	198,200	110,300	63,300	(47,000)
<b>Total</b>	<b>\$3,286,800</b>	<b>\$4,066,800</b>	<b>\$4,075,600</b>	<b>\$8,800</b>
<b>FTE/Other</b>				
Total FTE	50	50	50	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

Financial Institutions regulates 25 banks, 89 credit unions, 26 industrial loan companies, 2 trust companies, and 1 savings and loan. This totals 141 institutions. It also regulates 28 travelers check or money order issuers, 8 independent escrow companies, 101 check cashers/payday lenders, and 256 residential first mortgage loan servicers. The Department employs 50.

Two primary Department goals are: 1) to do the number of examinations required to maintain the health of the State-chartered banking and credit union systems in Utah; and 2) to be accredited by the financial institution peers in an interstate banking environment.

#### Department Revenue

The Department of Financial Institutions has a dedicated source of revenue from fees approved by the Legislature. These funds are deposited into a General Fund restricted account identified for the Department. All allocations of funds to the Department must be appropriated by the Legislature. Unexpended funds at the end of the year automatically lapse back to the Restricted General Fund Account for the Department of Financial Institutions.

Because a large fund balance was building, a fee reduction enacted by the Legislature went into effect during FY 2002. It is estimated that revenue will continue to grow as both assets and the number of financial institutions are expected to increase. Projections indicate continued growth in assets and institutions that should increase the fund for future budgets.



**Financial Institutions General Fund Restricted  
Revenue Collections**

FY 1995 Actual	\$1,951,479
FY 1996 Actual	2,156,990
FY 1997 Actual	2,444,899
FY 1998 Actual	2,321,554
FY 1999 Actual	2,539,205
FY 2000 Actual	2,765,266
FY 2001 Actual	3,233,837
FY 2002 Actual	3,116,289
FY 2003 Estimated	3,961,490
FY 2004 Projected	4,125,800

**Largest Utah  
Chartered  
Institutions**

The following is a partial list of the largest Utah-Chartered Financial Institutions:

❖ Merrill Lynch Bank USA	(ILC)	\$ 62.9 Billion
❖ American Express Centurion Bank	(ILC)	\$ 14.7
❖ Millcreek Bank (fka Conseco Bank)	(ILC)	\$ 2.8
❖ Morgan Stanley Dean Witter Bank	(ILC)	\$ 2.8
❖ American First Credit Union	(ILC)	\$ 2.2
❖ G E Capital Financial	(ILC)	\$ 2.2
❖ Providian Bank	(ILC)	\$ 1.9
❖ BMW Bank of North America	(ILC)	\$ 1.4
❖ Mountain America Credit Union		\$ 1.0

**Industrial Loan  
Corporations (ILC)**

The FY 200 revenues to the Department's Restricted Fund are projected to exceed \$4.125 million primarily because of growth in Industrial Loan Corporation assets. An Industrial Loan Corporation is a depository charter that:

- ❖ Can be owned by a non-bank.
- ❖ Is eligible for Federal Depository Insurance Corporation (FDIC) insurance.
- ❖ Is excepted from the definition of a "bank" set forth in the Bank Holding Company Act of 1956 (BHCA).
- ❖ The Department of Financial Institutions has established a series of performance measures and tracking items. The following items are a partial listing to indicate Department activity.

**Performance  
Measures**

<b>Examinations</b>	<b>FY 97</b>	<b>FY 98</b>	<b>FY 99</b>	<b>FY 00</b>	<b>FY 01</b>	<b>FY 02</b>
<b>Safety and Soundness</b>						
Banks/ILC/S&Ls	32	28	26	29	42	48
Credit Unions	85	91	81	88	85	88
<b>Specialty</b>						
All Types	3	6	2	5	6	10
Year 2000	0	80	119	121		
Compliance	0	1				6
Independent Escrow Companies						8
Payday Lenders				96	98	74
<b>Assets in Financial Institutions</b>	<b>\$22.2B</b>	<b>\$24.9B</b>	<b>\$37.2B</b>	<b>\$49.4B</b>	<b>\$98.1B</b>	<b>\$102.7</b>
<b>Under Department Jurisdiction</b>						

### 3.2 Programs: Financial Institutions-Office Lease

#### Recommendation

The Analyst recommends funding of \$114,800 from the General Fund Restricted Account for Financial Institutions.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Financial Institutions	104,000	114,800	114,800	
<b>Total</b>	<u>\$104,000</u>	<u>\$114,800</u>	<u>\$114,800</u>	<u>\$0</u>
<b>Expenditures</b>				
Current Expense	104,000	114,800	114,800	
<b>Total</b>	<u>\$104,000</u>	<u>\$114,800</u>	<u>\$114,800</u>	<u>\$0</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Department of Financial Institutions is located at 324 South State Street on the second floor. This prime Salt Lake City office space is located in an area of escalating lease expenses. Parking is provided from third party vendors.

The current lease was negotiated six years ago and expires in 2005. The rate is \$12.33 per square foot with no escalation clause. The Department's lease is well within the acceptable range established by the Division of Facilities and Construction Management (DFCM). The new space will cost more.

**4.0 Tables: Department of Financial Institutions**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund Restricted	2,825,400	2,907,800	3,929,100	4,181,600	4,190,400
Lapsing Balance	(232,700)	(156,100)	(538,300)		
<b>Total</b>	<b>\$2,592,700</b>	<b>\$2,751,700</b>	<b>\$3,390,800</b>	<b>\$4,181,600</b>	<b>\$4,190,400</b>
<b>Programs</b>					
Financial Institutions Administration	2,592,700	2,751,700	3,390,800	4,181,600	4,190,400
<b>Total</b>	<b>\$2,592,700</b>	<b>\$2,751,700</b>	<b>\$3,390,800</b>	<b>\$4,181,600</b>	<b>\$4,190,400</b>
<b>Expenditures</b>					
Personal Services	2,224,300	2,343,200	2,728,100	3,516,700	3,664,100
In-State Travel	56,600	49,000	78,200	99,100	83,000
Out of State Travel	45,000	63,200	78,000	105,500	88,500
Current Expense	219,800	231,400	308,300	350,000	291,500
DP Current Expense	47,000	51,200	198,200	110,300	63,300
Capital Outlay		13,700			
<b>Total</b>	<b>\$2,592,700</b>	<b>\$2,751,700</b>	<b>\$3,390,800</b>	<b>\$4,181,600</b>	<b>\$4,190,400</b>
<b>FTE/Other</b>					
Total FTE	40	40	50	50	50

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.







Office of the  
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## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Insurance Department**

**Contents:**

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information





## 1.0 Insurance Department

### Summary

The Insurance Department (UCA 31A-2-101) protects the public by regulating insurance companies and individual agents to assure equitable and competitive business practices.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
<b>Financing</b>			
General Fund	7,034,700	(17,400)	7,017,300
General Fund Restricted	22,100		22,100
Dedicated Credits	1,650,000		1,650,000
Beginning Balance	322,400		322,400
Closing Balance	(382,500)		(382,500)
Lapsing Balance	(18,900)		(18,900)
<b>Total</b>	<b>\$8,627,800</b>	<b>(\$17,400)</b>	<b>\$8,610,400</b>
<b>Programs</b>			
Insurance Department Administration	5,638,100	(17,400)	5,620,700
Comprehensive Health Insurance Program	2,916,200		2,916,200
Bail Bond Program	3,200		3,200
Title Insurance Program	70,300		70,300
<b>Total</b>	<b>\$8,627,800</b>	<b>(\$17,400)</b>	<b>\$8,610,400</b>
<b>FTE/Other</b>			
Total FTE	83		83

### Organizational Structure

The Department is divided into seven work sections and is funded from the General Fund. The Department reorganized its work processes along lines of insurance. Activity, function and structure have been regrouped to reduce processing time, improve Department efficiency, and enhance customer service. Traditionally, this grouping has been considered one budget. These funds are offset by fees collected by the Department and which are deposited into the General Fund. Fees are collected for a variety of activities in addition to licensing of agents and brokers.

## **2.0 Budget Highlights: Insurance Department**

### **2.1 Insurance Fees**

In past years, Insurance has charged fees for every service. Last year the Legislature consolidated their service fees into two Global Service Fees. For insurance companies, service fees are determined by the amount of premium written in Utah. For all other entities, the service fee is a set fee for all services. The Department generally collects about \$200,000 to \$250,000 more than is appropriated from the General Fund to run the Department. One of their goals was to make the transition bring in at least as much revenue as the old system. They estimated that the new Global Service Fees will bring in about \$144,200 more revenue to the General Fund. The simplified fee system reduces billing and collection costs and is a benefit to the insurance industry and the Department. These fees are being implemented in Calendar Year 2003. Implementation began on January 1, 2003.

### **2.2 Previous Budget Reductions**

In the 2002 Legislative session, the Department lost two FTE and \$90,200 in related ongoing funding. The work of the first employee was shifted to other employees. The second was an examiner and the Department used contract examiners and then charged the expenses back to the companies. These charge back expenses are credited against premium tax income and reduced tax revenue to the state.

Other FY 2002 budget reductions amounted to \$169,700 in ongoing General Fund. The Department was unable to hire an actuary or fill other positions. The work has been distributed to other employees. They have also cut office supplies, out-of-state travel, printing, and photocopying. They feel that training is at a critically low level.

The FY 2003 budget was reduced one-time by \$50,000 that will not be used to replace one-third of its PCs. The Department's share of the ongoing \$2,000,000 CIO reduction was \$17,200

The Comprehensive Health Insurance Pool (HIP<sup>Utah</sup>) will be forced to cap enrollment until adequate funding is available, even though the cap will not resolve the reduction in funds. The Pool's annual report to the Legislature will project that the Pool will be in a deficit position of \$1,183,560 by June 30, 2004. The board estimates that with \$6,000,000 it will only solve the funding problem for the Pool through June 30, 2004.

### **2.3 Transfer Staff Attorney to Attorney General's Budget**

At the insistence of the Attorney General, the Department's in-house Attorney is being transferred to the Attorney General's staff and budget. This necessitates transferring the cost of salary and benefits, \$77,300, from this budget. (There will be a corresponding request for a supplemental transfer.)

Previously agencies have hired in-house attorneys to compensate for the lack of service from the Attorney General. However, the Attorney General is legally the sole legal counsel for state agencies.

The attorney is already on the Attorney General's staff and Insurance will transfer funds to cover his costs. That can happen in all subsequent years and may help Insurance get the services they are paying for. The Analyst recommends no change in funding.

### 3.1 Programs: Insurance Department-Administration

#### Recommendation

The Analyst recommends funding of \$4,324,600 from the General Fund. The changes to the department are a reduction of \$17,200 to implement the Information Technology consolidation and retirement savings of \$200. All other changes are a shifting of funds within the agency.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	4,218,300	4,075,000	4,074,600	(400)
General Fund, One-time		(50,000)		50,000
Dedicated Credits Revenue		255,200	300,000	44,800
Beginning Nonlapsing	90,000	120,000	55,200	(64,800)
Closing Nonlapsing	(120,000)	(55,200)	(105,200)	(50,000)
Lapsing Balance	(78,100)			
<b>Total</b>	<b>\$4,110,200</b>	<b>\$4,345,000</b>	<b>\$4,324,600</b>	<b>(\$20,400)</b>
<b>Expenditures</b>				
Personal Services	3,671,400	3,714,900	3,765,400	50,500
In-State Travel	5,400	4,500	4,500	
Out of State Travel	32,500	42,100	35,100	(7,000)
Current Expense	193,600	197,000	183,900	(13,100)
DP Current Expense	152,300	359,000	307,200	(51,800)
DP Capital Outlay	55,000	27,500	28,500	1,000
<b>Total</b>	<b>\$4,110,200</b>	<b>\$4,345,000</b>	<b>\$4,324,600</b>	<b>(\$20,400)</b>
<b>FTE/Other</b>				
Total FTE	72	69	72	3

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

**Administration** manages the other divisions and is responsible for budgeting, financial tracking, personnel, actuarial services, and managerial statistics.

**Information Technology** is responsible for all of the data processing equipment and maintenance in the department which includes the LAN/WAN.

**Producer Services** is responsible for the issuance and renewal of licenses to all Utah insurance agents and agencies. Licensees qualify through examination.

**Financial Examination and Company Licensing/Solvency Division** licenses 1,469 insurance companies to do business in Utah. It also monitors financial strength and solvency. The division is responsible for the financial examination of insurers according to statute. Because not all of the companies are headquartered in Utah, the examiners may spend their time out of state. The Insurance Department is reimbursed by the insurer being examined for all costs incurred during the examination, which includes examiners salaries and benefits. These reimbursements are deposited into the General Fund.

**Property and Casualty, Health, and Life Divisions** function by line of insurance. These divisions handle telephone and walk-in complaints and inquiries from the public. They review and analyze policy forms and rates which are filed by insurance companies, and investigate and resolve alleged violations of the insurance code and rules.

Administration		Revenue	
Fiscal Year	Inquiries Handled	Generated for General Fund	Financial Examinations
98	36,241	\$4,083,388	15
99	42,578	4,983,118	26
00	41,914	1,711,718	10
01	47,832	4,241,034	19
02	56,578	6,622,087	18

### ***COSMOS***

The Insurance Department purchased an off-the-shelf management information system. The purpose of the system is to update and integrate insurance processing systems and to implement e-commerce type of transactions. The system is currently on-line.

COSMOS is an application designed for state insurance departments and the insurance industry. The system:

- 1) will promote e-commerce within the industry;
- 2) is compatible with the National Association of Insurance Commissioner (NAIC) initiatives;
- 3) incorporates Internet connectivity;
- 4) should streamline the way the insurance industry, companies, agencies and agents do business; and
- 5) provide uniform treatment of activity and regulation throughout the industry.

The Department expects savings or avoided costs of \$296,500 through the end of FY 2003.

### 3.2 Programs: Bail Bond Insurance Program

#### Recommendation

The Analyst recommends funding of \$3,200 from the General Fund Restricted – Bail Bond Surety Administration Account. These funds are restricted by statute to this program's purposes.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
GFR - Bail Bond Surety Admin	22,100	22,100	22,100	
Lapsing Balance	(19,700)	(19,000)	(18,900)	100
<b>Total</b>	<b>\$2,400</b>	<b>\$3,100</b>	<b>\$3,200</b>	<b>\$100</b>
<b>Expenditures</b>				
Personal Services	400	500	500	
In-State Travel	1,200	1,700	1,700	
Current Expense	800	900	1,000	100
<b>Total</b>	<b>\$2,400</b>	<b>\$3,100</b>	<b>\$3,200</b>	<b>\$100</b>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Insurance Department regulates the bail bond surety industry and bail bond agents operating in Utah (Title 31A-23-35). This requires them to ensure that all bail bond sureties and bail bond agents demonstrate adequate preparation, competency, and practice honesty and integrity. The Department is to ensure that Utah has a strong bail bond surety insurance market that actively supports the needs of our citizens, judiciary, and law enforcement organizations for reliable bail bond sureties, bail bond agents, and bail bonds at competitive prices. Assistance is provided to the public through information and education. The Department investigates and prosecutes unprofessional conduct by bail bond sureties or bail bond agents. Staff is provided to the Bail Bond Surety Oversight Board who reviews new licensing applications and reviews complaints.

\$15,000 in Restricted Revenue from fees and penalties is used for staff and board expenses.

Bail Bond Insurance			
Fiscal Year	Companies	Complaints	Investigations
01	29	10	10
02	29	10	37
03 Est.	31	10	50

### 3.3 Programs: Office of Consumer Health Assistance

**Recommendation** This program has been merged into Administration and is no longer a separate program.

	2002 Actual	2003 Estimated 17,200	2004 Analyst	Est/Analyst Difference (17,200)
<b>Financing</b>				
General Fund				
<b>Total</b>	\$0	\$17,200	\$0	(\$17,200)
<b>Expenditures</b>				
Personal Services		17,200		(17,200)
<b>Total</b>	\$0	\$17,200	\$0	(\$17,200)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

### Purpose

The program educates health care consumers by producing, collecting, disseminating educational materials, and summarizing the information gathered.

### 3.4 Programs: Insurance Department-Insurance Relative Value Study

#### Recommendation

The Analyst recommends a budget of \$69,000. Funding is made from Dedicated Credits collected from insurance companies.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits Revenue	66,000	65,000	70,000	5,000
Beginning Nonlapsing	361,800	321,400	137,900	(183,500)
Closing Nonlapsing	(321,400)	(137,900)	(138,900)	(1,000)
<b>Total</b>	<u>\$106,400</u>	<u>\$248,500</u>	<u>\$69,000</u>	<u>(\$179,500)</u>
<b>Expenditures</b>				
Out of State Travel	300			
Current Expense	60,500	98,500	69,000	(29,500)
DP Capital Outlay	45,600	150,000		(150,000)
<b>Total</b>	<u>\$106,400</u>	<u>\$248,500</u>	<u>\$69,000</u>	<u>(\$179,500)</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

Under UCA 31A-22-307, the Relative Value Study is to determine the reasonable value of medical expenses. It is funded by a 0.01 percent tax on motor vehicle liability, uninsured motorist, and personal injury protection insurance premiums. These funds are collected by the Tax Commission as Dedicated Credits and are made non-lapsing in the Utah Code. The study is produced by Relative Value Studies, Inc. of Denver. The contract to do the study is re-bid every three years. The Department charges \$10 per copy.

More Dedicated Credits have been collected over the years than are needed to fund the study. The collection rate was reduced by the 1997 Legislature. Increased population and improved collections have maintained more than sufficient revenue to fund the biennial study.



### 3.5 Programs: Insurance Department-Fraud Division

**Recommendation**      The Analyst recommends \$1,175,200.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits Revenue	1,003,300	1,005,000	1,205,000	200,000
Beginning Nonlapsing	186,300	133,300	45,600	(87,700)
Closing Nonlapsing	(133,300)	(45,600)	(75,400)	(29,800)
<b>Total</b>	<b>\$1,056,300</b>	<b>\$1,092,700</b>	<b>\$1,175,200</b>	<b>\$82,500</b>
<b>Expenditures</b>				
Personal Services	571,400	608,900	684,700	75,800
In-State Travel	3,400	3,200	3,200	
Out of State Travel	6,500	6,600	6,600	
Current Expense	466,400	460,000	466,700	6,700
DP Current Expense	8,600	14,000	14,000	
<b>Total</b>	<b>\$1,056,300</b>	<b>\$1,092,700</b>	<b>\$1,175,200</b>	<b>\$82,500</b>
<b>FTE/Other</b>				
Total FTE	10	10	10	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

### Purpose

The 1994 Legislature created the Insurance Fraud Act (UCA 31A-31-101 through 108). This division conducts criminal investigations and prosecutes insurance fraud violators. Nationwide, insurance fraud is estimated at over \$3 billion. The program is funded by assessments made on insurers according to the amount of business they do in Utah:

Total Utah Premiums	Assessment
\$1,000,000 or less	\$75
\$1,000,000 to \$2,500,000	\$263
\$2,500,000 to \$5,000,000	\$563
\$5,000,000 to \$10,000,000	\$1,125
\$10,000,000 to \$50,000,000	\$4,500
More than \$50,000,000	\$11,250

These funds are collected as Dedicated Credits that are designated non-lapsing in the Utah Code.

Cases are increasing. The number of prosecutions is limited by staff time and resources.

**Performance  
Measures**

Fraud			
Fiscal Year	Cases Opened	Investigations Completed	Sentences Handed Down
95	111	42	13
96	101	37	31
97	121	64	26
98	146	65	49
99	133	63	41
00	151	46	44
01	240	153	66
02 est.	175	173	82
03 projected	250	210	100

### 3.6 Programs: Insurance Department-Title Insurance

#### Recommendation

The Analyst recommends funding of \$70,300 from Dedicated Credits and Non-lapsing Balances.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits Revenue	48,700	75,000	75,000	
Beginning Nonlapsing	61,400	52,400	58,300	5,900
Closing Nonlapsing	(52,400)	(58,300)	(63,000)	(4,700)
<b>Total</b>	<b>\$57,700</b>	<b>\$69,100</b>	<b>\$70,300</b>	<b>\$1,200</b>
<b>Expenditures</b>				
Personal Services	53,200	63,900	64,000	100
In-State Travel	3,200	3,600	4,500	900
Current Expense	1,000	1,400	1,500	100
DP Current Expense	300	200	300	100
<b>Total</b>	<b>\$57,700</b>	<b>\$69,100</b>	<b>\$70,300</b>	<b>\$1,200</b>
<b>FTE/Other</b>				
Total FTE	1	1	1	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The 1998 Legislature passed House Bill 265, Title Insurance Amendments, which created Utah Code 31A-23-315. The new law allows an assessment on title insurance companies and agencies to pay for any cost or expense incurred by the Department in administration, investigation and enforcement of code provisions as related to the marketing of title insurance. The need to regulate the marketing of title insurance has been realized by the title insurance industry and the Department. This program provides an additional qualified person who will respond to industry complaints.

#### Performance Measures

The performance measures are:

Title Insurance			
Fiscal Year	Cases Investigated	Prosecuted/ Settled	Cases Open
02	62	56	32

### 3.7 Programs: Comprehensive Health Insurance Pool

#### Summary

The Comprehensive Health Insurance Pool provides access to health insurance coverage to people who are considered uninsurable. The Pool is funded by appropriations from the Legislature, premiums by the insured and by employers, and interest and dividends. An actuary regularly evaluates the pool to assure adequate funds are available.

This program is funded from its own line item.

	2002 Actual	2003 Estimated 2,916,200	2004 Analyst 2,916,200	Est/Analyst Difference
<b>Financing</b>				
General Fund				
<b>Total</b>	\$0	\$2,916,200	\$2,916,200	\$0
<b>Expenditures</b>				
Current Expense		2,916,200	2,916,200	
<b>Total</b>	\$0	\$2,916,200	\$2,916,200	\$0

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

## 4.0 Tables: Insurance Department

## 4.1 Funding History

	2000	2001	2002	2003	2004
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	6,890,900	7,213,200	4,245,800	7,034,700	7,017,300
General Fund, One-time				(50,000)	
General Fund Restricted	15,000	15,000	22,100	22,100	22,100
Dedicated Credits	6,036,000	8,871,400	1,118,000	1,400,200	1,650,000
Beginning Balance	9,214,700	11,918,800	776,900	678,500	322,400
Closing Balance	(11,731,200)	(13,036,600)	(678,500)	(322,400)	(382,500)
Lapsing Balance	(11,200)	(42,800)	(97,800)	(19,000)	(18,900)
<b>Total</b>	<b>\$10,414,200</b>	<b>\$14,939,000</b>	<b>\$5,386,500</b>	<b>\$8,744,100</b>	<b>\$8,610,400</b>
<b>Programs</b>					
Insurance Department Administration	4,741,800	5,417,100	5,326,400	5,755,700	5,620,700
Comprehensive Health Insurance Pool	5,632,400	9,486,800		2,916,200	2,916,200
Bail Bond Program	3,800	1,300	2,400	3,100	3,200
Title Insurance Program	36,200	33,800	57,700	69,100	70,300
<b>Total</b>	<b>\$10,414,200</b>	<b>\$14,939,000</b>	<b>\$5,386,500</b>	<b>\$8,744,100</b>	<b>\$8,610,400</b>
<b>Expenditures</b>					
Personal Services	3,773,300	4,043,900	4,296,400	4,405,400	4,514,600
In-State Travel	6,800	7,900	13,200	13,000	13,900
Out of State Travel	58,000	60,000	39,300	48,700	41,700
Current Expense	6,298,400	9,816,500	722,300	3,674,000	3,638,300
DP Current Expense	242,100	241,300	187,200	399,500	347,800
DP Capital Outlay	12,300	315,900	128,100	203,500	54,100
Capital Outlay	23,300	48,400			
Other Charges/Pass Thru		405,100			
<b>Total</b>	<b>\$10,414,200</b>	<b>\$14,939,000</b>	<b>\$5,386,500</b>	<b>\$8,744,100</b>	<b>\$8,610,400</b>
<b>FTE/Other</b>					
Total FTE	78	85	83	80	83

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.

## 4.2 Insurance Fees

Fees are presented for Legislative approval:

Fee Title (All Fees are non-refundable)	FY 2003 Current Rate	FY 2004 Proposed Rate	Difference	FY 2003 Units	Projected Revenue Change
<b>Global License fees for admitted insurers</b>					
Certificate of Authority - Initial License Application	1,000	1,000	0	30	30,000
Certificate of Authority - renewal	300	300	0	1,479	443,700
Certificate of Authority - reinstatement	1,000	1,000	0	5	5,000
Certificate of Authority - amendment	250	250	0	100	25,000
Form A filing	2,000	2,000	0	3	6,000
Redomestication Filing	2,000	2,000	0		
Org Permit for Mutual Insurer	1,000	1,000	0		
<b>Global Service fees for admitted insurers</b>			0		
Zero premium volume			0		
More than \$0 to less than \$1M prem Vol	700	700	0	935	654,500
\$1M to less than \$3M premium volume	1,100	1,100	0	200	220,000
\$3 to less than \$6M premium volume	1,550	1,550	0	160	248,000
\$6M to less than \$11M premium vol	2,100	2,100	0	74	155,400
\$11M to less than \$15 premium vol	2,750	2,750	0	35	96,250
\$15M to less than \$20M premium vol	3,500	3,500	0	15	52,500
\$20M or more in premium volume	4,350	4,350	0	60	261,000
Insurer examination (not a fee but reimbursement to department from insurers for examiner costs)					250,000
<b>Global Service fees for non-admitted insurers; other organization; accredited/trusteed reinsurer</b>					
<i>Non-admitted &amp; accredited/trusteed reinsurer:</i>					
Initial license application	1,000	1,000		10	10,000
Renewal	300	300		125	37,500
Reinstatement	1,000	1,000			
<i>Other organization:</i>					
Initial license application	250	250		10	2,500
Renewal	200	200		350	70,000
Reinstatement	250	250			
<b>Global service fee for non-admitted insurer; other organization; accredited/trusteed reinsurer</b>	200	200		475	95,000

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Fee Title	FY 2003 Current Rate	FY 2004 Proposed Rate	Difference	FY 2003 Units	Projected Revenue Change
<b>Global individual license fee</b>					
<i>Res/non-res full line producer license or renewal per two-year licensing period:</i>					
Initial, express initial, or renewal if renewed prior to renewal deadline	70	70		20,000	1,400,000
Renewal - renewed 1-30 days after renewal date & prior to lapse date	140	140		3,000	420,000
Reinstatement of lapsed license 2-24 months after renewal deadline	190	190		600	114,000
<i>Res/non-res full line producer license or renewal per two-year licensing period:</i>					
Initial or renewal if renewed prior to renewal deadline	45	45		1,450	65,250
renewal - renewed 1-30 days after renewal date and prior to lapse date	90	90		200	18,000
Reinstatement of lapsed license 2-24 months after renewal deadline	140	140		50	7,000
Addition of producer classification or line of authority to individual producer license	25	25		2,000	50,000
<b>Global full line and limited line agency license fee</b>					
Initial or renewal if renewed prior to renewal deadline	75	75		2,500	187,500
Renewal - renewed 1-30 days after renewal date and prior to lapse date	150	150		200	30,000
Reinstatement of lapsed license 2-24 months after renewal deadline	200	200		20	4,000
Addition of agency classification or line of authority to agency license	25	25		250	6,250
<b>Health insurance purchasing alliance per annual license period</b>					
Res/non-res initial or renewal license if renewed prior to deadline	500	500		1	500
Renewal - renewed 1-30 days after renewal date and prior to lapse date	750	750			
Reinstatement of lapsed license 2-12 months after renewal deadline	800	800			
<b>Continuing Education fees</b>					
CE provider initial or renewal license, If renewed prior to renewal deadline	250	250		425	106,250
CE provider renewal license - renewed 1-60 days after renewal date and prior to lapse date	300	300		40	12,000
CE provider reinstatement of lapsed license 3-12 months after renewal date	350	350		10	3,500
CE course post approval or \$5 per hour whichever is more	25	25		25	625

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Fee Title	FY 2003 Current Rate	FY 2004 Proposed Rate	Difference	FY 2003 Units	Projected Revenue Change
<b>Other Fees</b>					
Photocopy, per page	0.50	0.50		3,700	1,850
Copy complete annual statement/copy	40	40		30	1,200
Production of lists - printed/page	1.00	1.00		100	100
Prod of lists - electronic 1-500 records	50	50		50	2,500
Prod of lists -elec-over55 records/rec	0.10	0.10		8,400	840
Accepting service of legal process	10	10		90	900
Returned check charge	20	20		30	600
Workers comp schedule	none	5		50	250
Compliance and enforcement fines (not a fee, but forfeitures collected from licensees)					300,000
<b>TOTAL GENERAL FUND REVENUE</b>					<b>5,395,465</b>
<b>Dedicated Credit Fees</b>					
Fraud Assessment (dedicated credit; estimate of revenue to be collected from assessment)					1,205,000
Title assessment (dedicated credit; estimate of revenue to be collected from assessment)					75,000
Relative Value Study book	10	10		60	600
Utah Insurance Code book	25	25		300	7,500
Mailing fee for books	3	3		100	300
<b>Electronic commerce dedicated fees</b>					
<i>e-commerce and internet technology services fee</i>					
Insurer	75	75		1,469	110,175
Other organization	50	50		566	28,300
CE Provider	none	20		400	8,000
Agency	10	10		2,200	22,000
Producer	5	5		18,945	94,725
Electronic transaction fee	3	3			
Non-electronic payment fee	5	Delete (incorrect fee)			
Non-electronic application/filing fee	0	5			
<b>TOTAL DEDICATED FEE REVENUE</b>					<b>1,551,600</b>
<b>Restricted revenue Fees</b>					
Bail bond agency/annual license period:					
Res initial or renewal license if renewed prior to renewal deadline	250	250		30	7,500
Renewal license - renewed 1-30 days after renewal date & prior to lapse date	500	500			
Reinstatement of lapsed license 2-12 months after renewal deadline	600	600			
<b>TOTAL RESTRICTED REVENUE</b>					<b>7,500</b>







Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Labor Commission**

**Contents:**

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information



## 1.0 Labor Commission

### Department Mission Statement

The Utah Labor Commission serves the people by assuring a safe, healthful, fair, non-discriminatory work environment; assuring fair housing practices; and promoting employee and employer general welfare without needless interference.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
<b>Financing</b>			
General Fund	4,380,200	(31,800)	4,348,400
General Fund Restricted	757,700		757,700
Federal Funds	2,429,800		2,429,800
Trust and Agency Funds	1,002,800		1,002,800
Transfers	38,000		38,000
<b>Total</b>	<b>\$8,608,500</b>	<b>(\$31,800)</b>	<b>\$8,576,700</b>
<b>Programs</b>			
Labor Commission	8,608,500	(31,800)	8,576,700
<b>Total</b>	<b>\$8,608,500</b>	<b>(\$31,800)</b>	<b>\$8,576,700</b>
<b>FTE/Other</b>			
Total FTE	121		121

## **2.0 Budget Highlights: Labor Commission**

### **2.1 Intent Language and Proposed Intent Language**

The Analyst proposes the following intent language:

*The Legislature intends that fees collected from sponsoring seminars not lapse, so that the agency can offer yearly training seminars using the funds collected.*

This has been successful in retaining funds that might have lapsed and making them available for additional training and education opportunities. This authorizes the funds to be retained and used for their original intent. The Analyst recommends the same intent language for FY 2003.

### **Previous Budget Reductions**

Previous reductions to FY 2002 and FY 2003 resulted in a reduction of seven FTE. Only one employee had to be released. Five were transferred to vacant positions and one resigned to find other employment. These reductions amounted to \$223,600 for FY 2002 and \$267,800 for FY 2003.

The Legislature proposed a third reduction of \$455,500 in General Fund. Instead of reducing staff further, the Commission proposed and the Legislature approved substituting funds from the Workplace Safety Fund.

The statewide reduction in information technology funds resulted in additional reduction of \$31,400. This will result in maintaining data processing equipment past the five year cycle.

According to the Department, the overall effect of the reductions is that service to the public is no longer at the level desired but still adequate to accomplish statutory requirements.

### **HB 6001 Reductions**

In the Sixth Special Session, the Legislature reduced the Labor Commission's budget by \$204,400. They received \$90,000 in one-time federal funds that will off-set some reductions in FY 2003. They are planning to eliminate four FTE. Two of the positions are vacant, another will be retiring at the beginning of February, and the fourth will require a reduction in force. The positions will remain vacant for FY 2004. They are: one Elevator Inspector, one Safety & Health Inspector, one Programmer Analyst, and one Employment Discrimination Investigator. The Commission will also reduce current expense and data processing expense by \$30,000. Federal Matching funds for the Safety & Health Inspector amounting to \$15,650 will also be lost.

### **HB 6001 Reductions**

During the 2002 General Session, the Legislature appropriated a negative \$2 million to the division of finance-Mandated Account. The cut anticipated savings from a pending executive branch information technology consolidation. The appropriation included intent language stating:

*It is the intent of the Legislature that the Chief Information Officer identify General Fund information technology savings in state agencies and transfer the amount to the Division of Finance – Finance Mandated – Information Technology Consolidation to offset the negative appropriation.*

The CIO and cabinet departments could not identify specific information technology savings or program efficiencies to achieve the \$2 million savings. Instead the CIO and GOPB allocated the cuts based upon a weighted average of information technology budgets in the state.

The amount allocated to the Labor Commission (\$31,400).

A Legislature made a separate budget reduction for small adjustments in the retirement rates. This reduction was allocated to all agencies. The amount from the Labor Commission is \$400.

These items taken together are shown in 1.0 Summary Table as Analyst FY2004 Changes.

### 3.1 Programs: Labor Commission-Administration

**Recommendation** The Analyst recommends funding of \$1,554,100.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	1,305,400	1,349,100	1,322,400	(26,700)
Employers' Reinsurance Fund	35,200			
Uninsured Employers' Fund	264,600	231,700	231,700	
Beginning Nonlapsing	25,000			
Lapsing Balance	(19,000)			
<b>Total</b>	<b>\$1,611,200</b>	<b>\$1,580,800</b>	<b>\$1,554,100</b>	<b>(\$26,700)</b>
<b>Expenditures</b>				
Personal Services	1,400,800	1,372,100	1,377,000	4,900
In-State Travel	1,000	1,000	1,000	
Out of State Travel	7,400	7,400	7,400	
Current Expense	102,100	101,400	101,200	(200)
DP Current Expense	99,900	98,900	67,500	(31,400)
<b>Total</b>	<b>\$1,611,200</b>	<b>\$1,580,800</b>	<b>\$1,554,100</b>	<b>(\$26,700)</b>
<b>FTE/Other</b>				
Total FTE	19	18	19	2

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Administration provides overall management and oversight to the Labor Commission. Centralized accounting, payroll, personnel, information technology management, and budgeting are included in this program.

#### Non-lapsing Funds

The Commission has made a determined effort to improve the efficiency of operations. Program fund savings have been used to enhance and upgrade technology in Administration and throughout the Department.



### 3.2 Programs: Labor Commission-Division of Industrial Accidents

#### Recommendation

The Analyst recommends funding of \$1,017,600. Two Trust Funds are included in the recommendation. They are: 1) the Employers Reinsurance Trust Fund; and 2) the Uninsured Employers' Trust Fund. Funding for these funds comes through workers' compensation premiums.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	463,800	(9,800)		9,800
Federal Funds	18,800	15,000	18,800	3,800
GFR - Workplace Safety		227,700	227,700	
Employers' Reinsurance Fund	204,900	472,200	210,600	(261,600)
Uninsured Employers' Fund	322,800	362,600	560,500	197,900
Lapsing Balance	(52,500)	(63,900)		63,900
<b>Total</b>	<b>\$957,800</b>	<b>\$1,003,800</b>	<b>\$1,017,600</b>	<b>\$13,800</b>
<b>Expenditures</b>				
Personal Services	876,800	882,200	884,800	2,600
In-State Travel	3,200	3,200	3,200	
Out of State Travel	5,500	8,000	8,000	
Current Expense	55,200	63,300	73,100	9,800
DP Current Expense	17,100	17,100	48,500	31,400
DP Capital Outlay		30,000		(30,000)
<b>Total</b>	<b>\$957,800</b>	<b>\$1,003,800</b>	<b>\$1,017,600</b>	<b>\$13,800</b>
<b>FTE/Other</b>				
Total FTE	18	18	18	(0)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Division investigates allegations of noncompliance and, through a series of methods, attempts to bring firms into compliance with State workers' compensation laws. The Division assesses penalties for non-compliance. They monitor injury reporting, injured employee return to work, carrier payment compliance, and informally resolving workers' compensation compliance disputes.

#### Employers' Reinsurance Fund

Several divisions, including this one use restricted funding. The Employers' Reinsurance Fund is "for the purpose of making payments for industrial accidents or occupational diseases resulting in permanent total disability occurring on or before June 30, 1994.

**Uninsured  
Employers' Fund**

The Uninsured Employers' Fund has "the purpose of assisting in the payment of workers' compensation benefits to any person entitled to the benefits, if:

- 1) that person's employer:
  - A) is individually, jointly, or severally liable to pay the benefits;  
and
  - B) (I) becomes or is insolvent;  
(II) appoints or has appointed a receiver; or  
(III) otherwise does not have sufficient funds, insurance,  
sureties, or other security to cover workers' compensation  
liabilities; and
- 2) the employment relationship between that person and the person's  
employer is localized within the State as provided by statute.

**Performance  
Measures**

The Division monitors compliance with the workers' compensation insurance requirement, the reporting of injuries, return to work, timely payment of benefits by insurance carriers, and resolves disputes informally that involve the payment of workers' compensation benefits.

### 3.3 Programs: Labor Commission-Appeals Board

**Recommendation**      The Analyst recommends funding of \$12,100 from the General Fund.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
Financing General Fund	11,100	12,100	12,100	
<b>Total</b>	<b>\$11,100</b>	<b>\$12,100</b>	<b>\$12,100</b>	<b>\$0</b>
Expenditures				
Personal Services	10,500	11,200	11,200	
Current Expense	600	900	900	
<b>Total</b>	<b>\$11,100</b>	<b>\$12,100</b>	<b>\$12,100</b>	<b>\$0</b>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Summary**      The program provides an appeals process alternative to the Commissioner.

### 3.4 Programs: Labor Commission-Adjudication

#### Recommendation

The Analyst recommends \$688,500 from the General Fund.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	670,100	686,100	688,500	2,400
<b>Total</b>	<b>\$670,100</b>	<b>\$686,100</b>	<b>\$688,500</b>	<b>\$2,400</b>
<b>Expenditures</b>				
Personal Services	619,800	635,500	637,700	2,200
In-State Travel	7,800	8,200	6,200	(2,000)
Out of State Travel	200		600	600
Current Expense	34,300	34,300	36,700	2,400
DP Current Expense	8,000	8,100	7,300	(800)
<b>Total</b>	<b>\$670,100</b>	<b>\$686,100</b>	<b>\$688,500</b>	<b>\$2,400</b>
<b>FTE/Other</b>				
Total FTE	10	10	10	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

Adjudication conducts administrative hearings regarding employment relations. This includes issues related to workers' compensation, anti-discrimination, wage and hour, labor relations, occupational safety and health, and boiler and elevator safety.

#### Performance Measures

The major activity of this budget is the resolution of complaints. The following table lists the activity related to complaints. The program tracks performance measures according to the calendar year.

Adjudication				
CY	Workers Comp. App./Hearings	OSHA/Disc./Wage/ Safety Hearings	Fair Housing Hearings	Orders in death and trust cases
1996	1,153	110	0	906
1997	1,301	132	4	1,105
1998	1,065	80	4	600
1999	1,260	100	0	865
2000	1,151	207	0	1,504
2001	1,466	215	0	209

### 3.5 Programs: Labor Commission-Division of Safety

**Recommendation** The Analyst recommends \$995,400.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	1,102,800	1,004,800	995,400	(9,400)
Federal Funds	161,000			
<b>Total</b>	<b>\$1,263,800</b>	<b>\$1,004,800</b>	<b>\$995,400</b>	<b>(\$9,400)</b>
<b>Expenditures</b>				
Personal Services	999,300	886,100	873,600	(12,500)
In-State Travel	8,800	8,800	8,800	
Out of State Travel	2,700	2,600	2,600	
Current Expense	104,700	101,600	104,700	3,100
DP Current Expense	5,600	5,700	5,700	
Other Charges/Pass Thru	142,700			
<b>Total</b>	<b>\$1,263,800</b>	<b>\$1,004,800</b>	<b>\$995,400</b>	<b>(\$9,400)</b>
<b>FTE/Other</b>				
Total FTE	15	14	15	1

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Division of Safety is responsible for safety inspections of boilers, pressure vessels and elevators.

There are over 19,900 boilers, 5,600 elevators and an estimated 70,000 pressure vessels in Utah today. On average, over 500 new boilers and 250 new elevators are being installed in Utah each year.

All of the inspectors generate revenue from fees paid by the companies for the inspections.

#### Performance Measures

The current focus of the program is to reduce the number of elevators overdue for inspection. That number is now below 5%.

The second emphasis is to make the program self-supporting. They fell short by \$9,800 dollars in FY 2003, and they have not asked for any General Fund for FY 2004.

**Performance  
Measures**

The following performance/activity measures have been reported by the Commission. Income from boiler and elevator inspections is increasing.

**Boilers**

<b>FY</b>	<b># of Boilers</b>	<b># Needing Inspec.</b>	<b>Insurance Inspections</b>	<b>Commission Inspections</b>	<b>Total # Inspected</b>	<b>Fees Generated</b>
1996	13,813	6,907	2,932	2,685	5,617	\$289,850
1997	15,893	6,632	2,923	2,291	5,214	\$238,209
1998	16,513	7,206	3,198	1,428	4,626	\$286,979
1999	17,516	12,188	2,983	3,629	6,612	\$474,578
2000	18,646	12,513	2,371	3,242	5,613	\$441,186
2001	19,436	13,217	2,114	5,969	8,083	\$597,586

**Elevators**

<b>FY</b>	<b>Total</b>	<b># Needing Inspection</b>	<b>Units Inspected</b>	<b>Fees Generated</b>
1996	3,911	2,383	1,381	\$172,918
1997	4,309	3,352	1,403	\$154,134
1998	4,620	2,510	1,623	\$213,020
1999	1,914	2,604	1,947	\$232,909
2000	5,106	2,753	1,802	\$279,940
2001	5,641	2,853	3,434	\$307,322

**Mine Certifications**

<b>FY</b>	<b>Miners Tested</b>	<b>Fees Generated</b>
1996	742	\$27,520
1997	702	\$26,130
1998	730	\$27,440
1999	621	\$23,335
2000	556	\$21,705
2001	466	\$18,920

### 3.6 Programs: Labor Commission-Workplace Safety

#### Recommendation Financial Summary

The Analyst recommends funding of \$1,157,700.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	714,700	638,700	630,800	(7,900)
Federal Funds	464,100	528,400	526,900	(1,500)
<b>Total</b>	<b>\$1,178,800</b>	<b>\$1,167,100</b>	<b>\$1,157,700</b>	<b>(\$9,400)</b>
<b>Expenditures</b>				
Personal Services	1,089,100	1,063,300	1,050,900	(12,400)
In-State Travel	2,300	2,300	2,300	
Out of State Travel	16,100	16,000	1,600	(14,400)
Current Expense	56,500	70,600	88,000	17,400
DP Current Expense	14,800	14,900	14,900	
<b>Total</b>	<b>\$1,178,800</b>	<b>\$1,167,100</b>	<b>\$1,157,700</b>	<b>(\$9,400)</b>
<b>FTE/Other</b>				
Total FTE	22	22	22	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Workplace Safety Fund was established in 1996 to provide free safety consultation services and promote workplaces safety. Grants are available to local employers to upgrade their safety programs. The fund has initiated a media campaign through television and radio ads.

#### Performance Measures

<b>Labor Division</b>					
<b>FY</b>	<b>Cases Pending</b>	<b>Cases Filed</b>	<b>Total Case Load</b>	<b>Cases Resolved</b>	<b>Ending Caseload</b>
1996	96	1,033	1,129	1,007	122
1997	122	1,110	1,232	1,056	176
1998	176	1,317	1,493	137	122
1999	122	1,260	1,382	1,259	123
2000	123	1,380	1,503	1,304	200
2001	200	1,438	1,638	1,111	222

One of the program goals is to reduce the number of fatalities in the construction industry by 3%. In FY2002, they were reduced 17%.

### 3.8 Programs: Labor Commission-Utah Anti-Discrimination and Labor Division

#### Recommendation

The Analyst recommends funding of \$1,157,700. General Fund and Federal Funds are the two sources of funding for this program. These are estimates for two federal grants based on: 1) Equal Employment Opportunity Commission contract; and 2) HUD Fair Housing contract.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	714,700	638,700	630,800	(7,900)
Federal Funds	464,100	528,400	526,900	(1,500)
<b>Total</b>	<b>\$1,178,800</b>	<b>\$1,167,100</b>	<b>\$1,157,700</b>	<b>(\$9,400)</b>
<b>Expenditures</b>				
Personal Services	1,089,100	1,063,300	1,050,900	(12,400)
In-State Travel	2,300	2,300	2,300	
Out of State Travel	16,100	16,000	1,600	(14,400)
Current Expense	56,500	70,600	88,000	17,400
DP Current Expense	14,800	14,900	14,900	
<b>Total</b>	<b>\$1,178,800</b>	<b>\$1,167,100</b>	<b>\$1,157,700</b>	<b>(\$9,400)</b>
<b>FTE/Other</b>				
Total FTE	22	22	22	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Utah Anti-Discrimination and Labor Division (UALD) resolves complaints which allege discrimination in employment on the basis of race, color, sex, pregnancy, childbirth, or pregnancy-related conditions, religion, national origin, age, and disability. It addresses complaints which allege discrimination in housing on the basis of race, color, religion, sex, national origin, disability, familial status, and source of income.

It is also responsible for laws which require the payment of earned wages, establish a minimum wage, license private employment agencies, and protect youth in employment. Additionally, the Division conducts training for the public at large in order to encourage voluntary compliance with the laws it enforces.

#### Performance Measures

<b>Fair Housing</b>			
<b>FY</b>	<b>Complaints Received</b>	<b>Complaints Resolved</b>	<b>Cases Pending</b>
1996	86	89	53
1997	107	124	40
1998	93	73	60
1999	89	70	79
2000	86	90	75
2001	51	64	62



**Anti-Discrimination Division**

<b>FY</b>	<b>Cases Pending</b>	<b>Cases Filed</b>	<b>Total Case Load</b>	<b>Cases Resolved</b>	<b>Ending Caseload</b>
<b>1996</b>	786	856	1,642	848	794
<b>1997</b>	794	765	1,559	738	821
<b>1998</b>	821	626	1,447	670	777
<b>1999</b>	777	619	1,396	655	741
<b>2000</b>	741	689	1,430	686	744
<b>2001</b>	649	568	1,217	876	341

### 3.7 Programs: Labor Commission-Utah Occupational Safety and Health Division

#### Recommendation

The Analyst recommends funding of \$2,487,800. The funding is approximately 75 percent Federal Funds. Three federal grants are expected: 1) OSHA Compliance grant; 2) OSHA Consultation grant; and a 3) Department of Labor Bureau of Labor and Statistics grant.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	631,300	566,000	565,700	(300)
Federal Funds	1,608,000	1,876,300	1,884,100	7,800
Transfers		37,800	38,000	200
<b>Total</b>	<b>\$2,239,300</b>	<b>\$2,480,100</b>	<b>\$2,487,800</b>	<b>\$7,700</b>
<b>Expenditures</b>				
Personal Services	1,845,600	1,961,100	1,967,600	6,500
In-State Travel	19,500	19,500	19,500	
Out of State Travel	34,300	34,300	34,300	
Current Expense	293,100	280,600	276,900	(3,700)
DP Current Expense	46,800	41,900	46,800	4,900
DP Capital Outlay			142,700	142,700
Other Charges/Pass Thru		142,700		(142,700)
<b>Total</b>	<b>\$2,239,300</b>	<b>\$2,480,100</b>	<b>\$2,487,800</b>	<b>\$7,700</b>
<b>FTE/Other</b>				
Total FTE	35	35	35	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Utah Occupational Safety and Health (UOSH) Act is almost identical to the federal OSHA. The main differences are that UOSH has jurisdiction over state and local government employers.

Work places are inspected for compliance with workplace safety and health standards. Employers in violation of standards are required to make corrections in a timely manner. Inspections include sampling suspected hazardous materials for laboratory testing.

Employers may request a penalty free consultation inspection to identify any safety or health deficiencies to assist them in making a safe and healthy workplace. The program trains workers and employers to understand safety standards. The drug-free workplace program is included in this budget. Inspectors also check to assure that businesses carry workers' compensation insurance.

Federal funding provides for consulting, compliance inspections and development of labor safety statistics.

**Performance  
Measures**

<b>Consultation Services</b>				
<b>FY</b>	<b>Construction Surveys</b>	<b>General Surveys</b>	<b>Program Assistance</b>	<b>Education &amp; Training</b>
<b>1995</b>	81	194	151	151
<b>1996</b>	108	150	96	330
<b>1997</b>	239	417	372	218
<b>1998</b>	103	136	107	593
<b>1999</b>	90	169	55	519
<b>2000</b>	124	162	52	471
<b>2001</b>	158	81	44	200

<b>Compliance</b>					
<b>FY</b>	<b>Accident Inspections</b>	<b>Complaint Inspections</b>	<b>Follow-up Inspections</b>	<b>Health Inspections</b>	<b>Safety Inspections</b>
<b>1995</b>	95	132	101	273	780
<b>1996</b>	79	85	86	369	774
<b>1997</b>	90	103	111	370	752
<b>1998</b>	97	106	80	314	935
<b>1999</b>	104	174	54	282	981
<b>2000</b>	147	243	23	183	931
<b>2001</b>	112	203	13	115	601

<b>Total Dollar Amount of Penalties</b>	
<b>FY</b>	
<b>1995</b>	\$1,138,470
<b>1996</b>	\$1,134,223
<b>1997</b>	\$1,267,800
<b>1998</b>	\$1,133,595
<b>1999</b>	\$1,465,463
<b>2000</b>	\$1,837,256
<b>2001</b>	\$1,367,927

### 3.8 Programs: Labor Commission-Building Rent

#### Recommendation

The Analyst recommends funding of \$133,500 in General Fund.

#### Financial Summary

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	146,600	133,200	133,500	300
Lapsing Balance	(1,200)			
<b>Total</b>	<b>\$145,400</b>	<b>\$133,200</b>	<b>\$133,500</b>	<b>\$300</b>
<b>Expenditures</b>				
Current Expense	145,400	133,200	133,500	300
<b>Total</b>	<b>\$145,400</b>	<b>\$133,200</b>	<b>\$133,500</b>	<b>\$300</b>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Summary

The Labor Commission is primarily located at the Heber M. Wells Building off of Third South and First East in Salt Lake City. The building is owned by the State and operated by the Division of Facilities and Construction Management (DFCM).

**4.0 Tables: Labor Commission**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	4,731,200	5,070,400	5,045,800	4,380,200	4,348,400
General Fund Restricted	756,500	861,000	1,000,200	693,800	757,700
Federal Funds	2,166,900	2,207,500	2,402,100	2,444,700	2,429,800
Trust and Agency Funds	789,000	803,200	827,500	1,066,500	1,002,800
Transfers				37,800	38,000
Beginning Balance	22,100	13,000	25,000		
Closing Balance	(13,000)	(25,000)			
Lapsing Balance	(403,400)	(36,700)	(479,000)	(63,900)	
<b>Total</b>	<b>\$8,049,300</b>	<b>\$8,893,400</b>	<b>\$8,821,600</b>	<b>\$8,559,100</b>	<b>\$8,576,700</b>
<b>Programs</b>					
Labor Commission	8,049,300	8,893,400	8,821,600	8,559,100	8,576,700
<b>Total</b>	<b>\$8,049,300</b>	<b>\$8,893,400</b>	<b>\$8,821,600</b>	<b>\$8,559,100</b>	<b>\$8,576,700</b>
<b>Expenditures</b>					
Personal Services	6,330,700	6,901,000	7,071,800	6,954,500	6,946,200
In-State Travel	39,600	39,300	44,600	45,300	43,300
Out of State Travel	54,200	67,900	68,200	68,300	54,500
Current Expense	1,047,800	1,185,100	890,400	849,600	877,200
DP Current Expense	237,200	238,300	194,300	188,700	192,800
DP Capital Outlay	17,900	22,300		30,000	142,700
Other Charges/Pass Thru	321,900	439,500	552,300	422,700	320,000
<b>Total</b>	<b>\$8,049,300</b>	<b>\$8,893,400</b>	<b>\$8,821,600</b>	<b>\$8,559,100</b>	<b>\$8,576,700</b>
<b>FTE/Other</b>					
Total FTE	129	130	121	119	121

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.

**5.0 Federal Funds: Labor Commission**

<b>Program/Federal Grant</b>		<b>FY 2002 Actual</b>	<b>FY 2003 Estimated</b>	<b>FY 2004 Analyst</b>
<b>Anti-discrimination</b> Department of Labor Equal Employment Opportunity Commission (EEOC)	Federal	275,400	300,000	300,000
	Required State Match			
	Total	275,400	300,000	300,000
Housing & Urban Development Cooperative Agreement	Federal	188,700	228,400	226,900
	Required State Match			
	Total	188,700	228,400	226,900
<b>Industrial Accidents</b> DOL, OSHA OSHA 23G State Plan Grant	Federal	18,800	15,000	18,800
	Required State Match	18,800	15,000	18,800
	Total	37,600	30,000	37,600
<b>Utah Occupational Safety &amp; Health</b> DOL, Mine Safety & Health Administration Mine Safety & Health Grant	Federal	161,000	161,700	161,700
	Required State Match	40,200	40,500	40,500
	Total	201,200	202,200	202,200
DOL, OSHA OSHA 23G State Plan Grant	Federal	1,087,300	1,197,600	1,204,900
	Required State Match	1,087,300	1,197,600	1,204,900
	Total	2,174,600	2,395,200	2,409,800
DOL, OSHA OSHA 23D State Plan Grant	Federal	465,700	461,600	462,000
	Required State Match	51,744	51,289	51,333
	Total	517,444	512,889	513,333
DOL - Bureau of Labor Statistics BLS Occupational Safety & Health Statistics	Federal	55,000	55,400	55,500
	Required State Match	55,000	55,400	55,500
	Total	110,000	110,800	111,000
<b>Workplace Safety</b> DOL, OSHA OSHA 23G State Plan Grant	Federal	150,200	25,000	
	Required State Match	150,200	25,000	
	Total	300,400	50,000	0
<b>Federal</b>		<b>2,402,100</b>	<b>2,444,700</b>	<b>2,429,800</b>
<b>Required State Match</b>		<b>1,403,244</b>	<b>1,384,789</b>	<b>1,371,033</b>
<b>Total</b>		<b>3,805,344</b>	<b>3,829,489</b>	<b>3,800,833</b>

#### 4.2 Labor Commission Fees

Fee Title	FY 2003 Current Rate	FY 2004 Proposed Rate	Difference	FY 2003 Units	Projected Revenue Change
<b>INDUSTRIAL ACCIDENTS</b>					
Certificate to Self-insure for W.C.	900	900		6	
Certificate to Self-insure for W.C. renewal	500	500		90	
<b>SAFETY DIVISION</b>					
<b>Boiler &amp; Pressure Vessel Inspections:</b>					
Original Exam for Certificate of Competency	25	25		10	
Renewal of Certificate of Competency	20	20		80	
Owner-user Inspection Agency Certification	250	250		2	
<b>Jacketed Kettles &amp; Hot Water Supply</b>					
Boilers less than 250,000 BTU - existing	30	30		850	
Boilers less than 250,000 BTU - new	45	45		220	
Boilers >250 BTU but< 4,000,000 BTU - existing	60	60		3300	
Boilers >250 BTU but< 4,000,000 BTU - existing	90	90		800	
Boilers >4,000,000 BTU but< 20,000,000 BTU - exist	150	150		670	
Boilers >4,000,000 BTU but< 20,000,000 BTU - exist	225	225		100	
Boilers > 20,000,000 BTU - existing	300	300		197	
Boilers > 20,000,000 BTU - new	450	450		15	
Replacement Boiler Certificate	15	15		10	
Consultation, witness, special inspection (per hour)	60	60		270	
Pressure Vessel - existing	30	30		2000	
Pressure Vessel - new	45	45		2000	
<b>Pressure Vessel Inspection by Owner-user:</b>					
25 or less on single statement (per vessel)	5	5			
26-100 on single statement (per statement)	100	100		2	
101-500 on single statement (per statement)	200	200		7	
over 500 on single statement (per statement)	400	400		11	
<b>Elevator Inspections:</b>					
<b>Existing Elevators</b>					
Hydraulic	85	85		1850	
Electric	85	85		200	
Handicapped	85	85		250	
Other Elevators	85	85		300	
Replacement elevator Certificate	15	15		10	
<b>New Elevators</b>					
Hydraulic	300	300		230	
Electric	700	700		25	
Handicapped	200	200		35	
Other Elevators	200	200		5	
Consultation and Review (per hour)	60	60		650	
Escalators/Moving Walks	700	700		6	
Remodeled Electric	500	500			
Roped Hydraulic	500	500		24	

#### 4.2 Labor Commission Fees (continued)

Fee Title	FY 2003 Current Rate	FY 2004 Proposed Rate	Difference	FY 2003 Units	Projected Revenue Change
<b>UOSH: MINE CERTIFICATION PROGRAM</b>					
<b>Coal Mine Certification</b>					
Mine Foreman	50	50		40	
Temporary Mine Foremen	35	35		5	
Fire Boss	50	50		30	
Surface Foremen	50	50		20	
Temporary Surface Foremen	35	35		5	
Electrician underground	50	50		25	
Electrician surface	50	50		40	
Annual Electrical Recertification	35	35		350	
Hoistman	50	50		1	
Certification Retest (per section)	20	20		5	
<b>Hard Rock Mine Certification:</b>					
Hard Rock Mine Foreman	50	50		1	
Temporary Hard Rock Mine Foremen	35	35		1	
Hard Rock Surface Foreman	50	50		1	
Temporary Hard Rock Surface Foreman	35	35		1	
Electrician underground	50	50		1	
Electrician surface	50	50		1	
Annual Electrical Recertification	35	35		1	
Hoistman	50	50		10	
Certification Retest (per section)	20	20		1	
<b>Hydrocarbon Mine Certification</b>					
Gilsonite Mine Foreman	50	50		1	
Gilsonite Mine Examiner	50	50		1	
Temporary Gilsonite Mine Foreman	35	35		1	
Gilsonite Shot Firer	50	50		1	
Hoistman	50	50		30	
Certification Retest (per section)	20	20		1	







Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Public Service Commission**

**Contents:**

- 1.0 Summary
- 2.0 Issues
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- 4.0 Additional Information



## 1.0 Public Service Commission

### Purpose

The Commission ensures safe, reliable and adequate utility service. It conducts hearings and investigations of utility company operations in order to determine just and reasonable rates for service. The Commission's goals for regulation are efficient, reliable, reasonably-priced utility service for customers, and maintenance of financially healthy utility companies. These goals are generally attained through the regulatory decisions the Commission makes in each formal case.

Funding for the operation of the Commission comes from the Public Utility Regulatory Fee (PURF). The fee is adjusted each year depending on the funding requirements. No major building blocks or adjustments have been made to the budget for the last several years

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
<b>Financing</b>			
General Fund	1,430,200	(2,800)	1,427,400
Dedicated Credits	8,003,200		8,003,200
Trust and Agency Funds	6,459,300		6,459,300
Beginning Balance	21,645,500		21,645,500
Closing Balance	(20,628,200)		(20,628,200)
<b>Total</b>	<b>\$16,910,000</b>	<b>(\$2,800)</b>	<b>\$16,907,200</b>
<b>Programs</b>			
Public Service Commission	1,615,300	(2,800)	1,612,500
Research and Analysis	60,000		60,000
Speech and Hearing Impaired	1,632,700		1,632,700
Lifeline Telecommunications Service Fur	6,801,000		6,801,000
Universal Telecommunications Support I	6,801,000		6,801,000
<b>Total</b>	<b>\$16,910,000</b>	<b>(\$2,800)</b>	<b>\$16,907,200</b>
<b>FTE/Other</b>			
Total FTE	17		17

### Department Mission Statement

While managing the transition from regulation to competition, the Commission's goal is to ensure efficient, reliable, high quality, reasonably priced utility service.

## **2.0 Budget Highlights: Public Service Commission**

### **2.1 FY 2003 Budget Reductions Restored in FY 2004**

The Legislature reduced the Commission's budget by \$65,200 for FY 2003. Funding for the Commission is shown as General Fund which is correct, but the funding comes from PURF (Public Utility Regulation Fee) and if the reduction continues into FY 2004 the funds will go to the utilities and not to balance the budget. So the Analyst recommends that the funding be restored.

**General Fund (PURF) .....\$65,200**

This will necessitate taking the reduction from another budget. The Insurance Department's new Global Services Fee will increase the transfer to the General Fund by \$144,200 and the Analyst recommends reducing the transfer by \$65,200 to off-set the restoration.

### **2.2 External Transfers**

Last year, the Legislature approved a \$2,000,000 budget reduction to be absorbed by the Division of Information Technology in the Department of Administrative Services. The amount was not reduced from that budget but was allocated to all state agencies to absorb a proportionate share. The amount allocated to the Public Service Commission is \$2,800.

### 3.1 Programs: Public Service Commission-Administration

#### Recommendation

The Analyst recommends Administration funding of \$1,589,000. Though funding is from the General Fund, the revenue comes directly from the Public Utilities Regulatory Fee (PURF).

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	1,436,300	1,406,700	1,403,900	(2,800)
Dedicated Credits Revenue	1,600	61,600	121,600	60,000
Beginning Nonlapsing	14,300	163,300	63,500	(99,800)
Closing Nonlapsing	(163,300)	(63,500)		63,500
<b>Total</b>	<b>\$1,288,900</b>	<b>\$1,568,100</b>	<b>\$1,589,000</b>	<b>\$20,900</b>
<b>Expenditures</b>				
Personal Services	1,158,100	1,295,200	1,301,000	5,800
In-State Travel	700	3,100	3,100	
Out of State Travel	23,100	25,700	25,600	(100)
Current Expense	72,600	142,000	177,800	35,800
DP Current Expense	34,400	72,300	51,700	(20,600)
Capital Outlay		29,800	29,800	
<b>Total</b>	<b>\$1,288,900</b>	<b>\$1,568,100</b>	<b>\$1,589,000</b>	<b>\$20,900</b>
<b>FTE/Other</b>				
Total FTE	17	16	17	1

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Public Service Commission is a quasi-judicial body that regulates all privately owned electricity, natural gas, telecommunications, and water public utilities. The Commission works to insure that rates, terms, and conditions of utility service are "just and reasonable," to meet the public interest defined by statute and case law. Recent changes in State and federal law recognize the influence of competition on these industries, which have traditionally been regulated monopolies. The transition from monopoly to competition must be done fairly to protect the public interest to assure that services remain reliable, and reasonably priced. Although many aspects of traditional regulation are still an important part of the Commission's workload, the transition to competition is significant.

With the Division of Public Utilities (Department of Commerce), the Commission initiates investigations into situations where utilities may be in violation of the law or are not operating in the public interest.

#### Performance Measures

The regulatory nature of the Commission makes outcome measures difficult to find. The Commission participated in settling the PacifiCorp Net Power Costs Case. This allowed them to recover \$140,000,000 incurred in the electric wholesale market while raising customer rates by only 1%. They Expedited approval of the Gatsby electric generation plant in Salt Lake City. They also concluded that Qwest was in compliance with Section 271 of the 1996 Federal Telecommunications Act so that Qwest can apply to the FCC to provide interstate long-distance service.

**3.2 Programs: Public Service Commission - Building Operation and Maintenance**

**Recommendation**      The Analyst recommends funding of \$23,500.

	<b>2002 Actual</b>	<b>2003 Estimated</b>	<b>2004 Analyst</b>	<b>Est/Analyst Difference</b>
<b>Financing</b>				
General Fund	26,300	23,500	23,500	
Lapsing Balance	(200)			
<b>Total</b>	<u>\$26,100</u>	<u>\$23,500</u>	<u>\$23,500</u>	<u>\$0</u>
<b>Expenditures</b>				
Current Expense	26,100	23,500	23,500	
<b>Total</b>	<u>\$26,100</u>	<u>\$23,500</u>	<u>\$23,500</u>	<u>\$0</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

The Public Service Commission is located at the Heber M. Wells Building off of Third South and First East in Salt Lake City. The building is owned and operated by the Division of Facilities and Construction Management (DFCM) of the State Department of Administrative Services.



### 3.3 Programs: Public Service Commission-Research and Analysis

#### Recommendation

The Analyst recommends funding of \$60,000 from Dedicated Credit Revenue. Research and Analysis is a separate line item.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits Revenue	34,400	60,000	60,000	
<b>Total</b>	<u>\$34,400</u>	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$0</u>
<b>Expenditures</b>				
Current Expense	34,400	60,000	60,000	
<b>Total</b>	<u>\$34,400</u>	<u>\$60,000</u>	<u>\$60,000</u>	<u>\$0</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The funds collected and distributed are part of the Wexpro Agreement. The agreement between the State and Wexpro is for third parties to monitor Wexpro's compliance with the agreement. Questar Gas Company's customers pay this money in their rates. These funds are for accounting fees and contracted services of a hydrocarbon specialist. When services have been provided, a bill is sent to Wexpro who then sends the funds to the Commission.

### 3.4 Programs: Public Service Commission-Speech and Hearing Impaired

#### Recommendation

The Analyst recommends funding of \$1,632,700. Funding is from Dedicated Credits and Non-lapsing balances. Speech and hearing Impaired is a separate line item.

	2002	2003	2004	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
Dedicated Credits Revenue	1,252,300	1,517,700	1,362,300	(155,400)
Beginning Nonlapsing	4,628,700	4,250,000	4,195,000	(55,000)
Closing Nonlapsing	(4,250,000)	(4,135,000)	(3,924,600)	210,400
<b>Total</b>	<b>\$1,631,000</b>	<b>\$1,632,700</b>	<b>\$1,632,700</b>	<b>\$0</b>
<b>Expenditures</b>				
In-State Travel	1,100	2,200	2,200	
Out of State Travel	3,600	4,100	4,100	
Current Expense	1,626,300	1,626,400	1,626,400	
<b>Total</b>	<b>\$1,631,000</b>	<b>\$1,632,700</b>	<b>\$1,632,700</b>	<b>\$0</b>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Speech and Hearing Impaired Program provides telecommunication access twenty-four hours a day between hearing or speech impaired persons through Relay Utah. The services are now contracted through SPRINT. SPRINT employs people who use a computer to receive text telephone messages from a TDD or TTY (text telephone) and relay the information to the called party.

The Commission loans specialized telecommunications equipment to individuals who have hearing or speech barriers. The Commission has an advertising campaign to educate not only the deaf and the hearing public about 7-1-1 and the telecommunication relay service.

Funds collected and carried over from the previous year will be used to fund the complete program.

The major activity of this budget is telephone calls and demand is increasing. With the implementation of two-way pagers, there is a shift nationally in the way deaf people communicate. The FCC is encouraging states to implement Video Relay Service which would complement the services already provided by Relay Utah.

### 3.5 Programs: PSC - Universal Public Telecommunications Service Support Fund

#### Recommendation

The Analyst recommends funding of \$6,801,000 from the Universal Public Telecommunications Service Support Fund and Non-lapsing balances. Revenue generated is dedicated to this program. This is a separate line item.

	2002	2003	2004	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Universal Public Telecom Service Fund	5,163,600	6,603,800	6,459,300	(144,500)
Beginning Nonlapsing	10,473,500	8,894,800	8,693,500	(201,300)
Closing Nonlapsing	(8,894,800)	(8,693,500)	(8,351,800)	341,700
<b>Total</b>	<b>\$6,742,300</b>	<b>\$6,805,100</b>	<b>\$6,801,000</b>	<b>(\$4,100)</b>
Expenditures				
Other Charges/Pass Thru	6,635,700	6,635,600	6,635,600	
Trust & Agency Disbursements	106,600	169,500	165,400	(4,100)
<b>Total</b>	<b>\$6,742,300</b>	<b>\$6,805,100</b>	<b>\$6,801,000</b>	<b>(\$4,100)</b>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The funding mechanism for the Universal Public Telecommunications Service Support Fund (previously the Universal Service Trust Fund) account is a 1/3 percent surcharge on intra-state retail revenue. The fund is intended to subsidize eligible telephone exchange customers whose costs are much higher to operate than the state-wide average for providing local exchange and switched access service.

#### Success

According to serving companies' data and statistics obtained by the Federal Communications Commission, the telephone subscribership in Utah rural areas remains nearly equal to the Wasatch Front.

### 3.6 Programs: Lifeline Telecommunications Support

#### Recommendation

The Analyst recommends a budget of \$6,801,000 from Dedicated Credits and Non-lapsing funds. This is a separate line item.

	2002	2003	2004	Est/Analyst
Financing	Actual	Estimated	Analyst	Difference
Dedicated Credits Revenue	5,163,600	6,603,800	6,459,300	(144,500)
Beginning Nonlapsing	10,473,500	8,894,800	8,693,500	(201,300)
Closing Nonlapsing	(8,894,800)	(8,693,500)	(8,351,800)	341,700
<b>Total</b>	<b>\$6,742,300</b>	<b>\$6,805,100</b>	<b>\$6,801,000</b>	<b>(\$4,100)</b>
Expenditures				
Other Charges/Pass Thru	6,742,300	6,805,100	6,801,000	(4,100)
<b>Total</b>	<b>\$6,742,300</b>	<b>\$6,805,100</b>	<b>\$6,801,000</b>	<b>(\$4,100)</b>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

Individual telephone companies collect the funds and send them to the Public Service Commission for administration. The funds are used to reduce the local monthly subscriber and state network interconnection charges for nine local exchange telephone carriers servicing rural communities throughout the state.

**4.0 Additional Information: Public Service Commission****4.1 Funding History: Public Service Commission - Administration**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	1,393,600	1,492,300	1,462,600	1,430,200	1,427,400
Dedicated Credits	2,483,300	1,475,600	6,451,900	8,243,100	8,003,200
Trust and Agency Funds	8,029,200	7,590,500	5,163,600	6,603,800	6,459,300
Beginning Balance	10,242,400	14,264,700	25,590,000	22,202,900	21,645,500
Closing Balance	(14,264,700)	(15,116,500)	(22,202,900)	(21,585,500)	(20,628,200)
Lapsing Balance	(99,900)		(200)		
<b>Total</b>	<b>\$7,783,900</b>	<b>\$9,706,600</b>	<b>\$16,465,000</b>	<b>\$16,894,500</b>	<b>\$16,907,200</b>
<b>Programs</b>					
Public Service Commission	1,348,400	1,481,500	1,315,000	1,591,600	1,612,500
Research and Analysis	29,800	31,800	34,400	60,000	60,000
Speech and Hearing Impaired	1,183,800	1,641,900	1,631,000	1,632,700	1,632,700
Lifeline Telecommunications Service Fund			6,742,300	6,805,100	6,801,000
Universal Telecommunications Support Fund	5,221,900	6,551,400	6,742,300	6,805,100	6,801,000
<b>Total</b>	<b>\$7,783,900</b>	<b>\$9,706,600</b>	<b>\$16,465,000</b>	<b>\$16,894,500</b>	<b>\$16,907,200</b>
<b>Expenditures</b>					
Personal Services	1,159,800	1,201,300	1,158,100	1,295,200	1,301,000
In-State Travel	1,000	200	1,800	5,300	5,300
Out of State Travel	24,300	22,000	26,700	29,800	29,700
Current Expense	1,328,300	1,861,400	1,759,400	1,851,900	1,887,700
DP Current Expense	46,200	64,500	34,400	72,300	51,700
DP Capital Outlay	2,400				
Capital Outlay		5,800		29,800	29,800
Other Charges/Pass Thru	5,212,600	6,522,200	13,378,000	13,440,700	13,436,600
Trust & Agency Disbursements	9,300	29,200	106,600	169,500	165,400
<b>Total</b>	<b>\$7,783,900</b>	<b>\$9,706,600</b>	<b>\$16,465,000</b>	<b>\$16,894,500</b>	<b>\$16,907,200</b>
<b>FTE/Other</b>					
Total FTE	16	14	17	16	17

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.

### 3.7 Programs: Public Service Commission-Fees

The Commission has a fee that must be approved and included into the Appropriations Act. The following fee is recommended for FY 2004.

Fee Title	FY 2003 Current Rate	FY 2004 Proposed Rate	Difference	FY 2004 Units	Projected Revenue Change
<u>Global license fees for admitted insurers</u>					
Local Exchange Carrier Application Fee	\$100	\$100		15-35	







Office of the  
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## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

### **Tax Commission**

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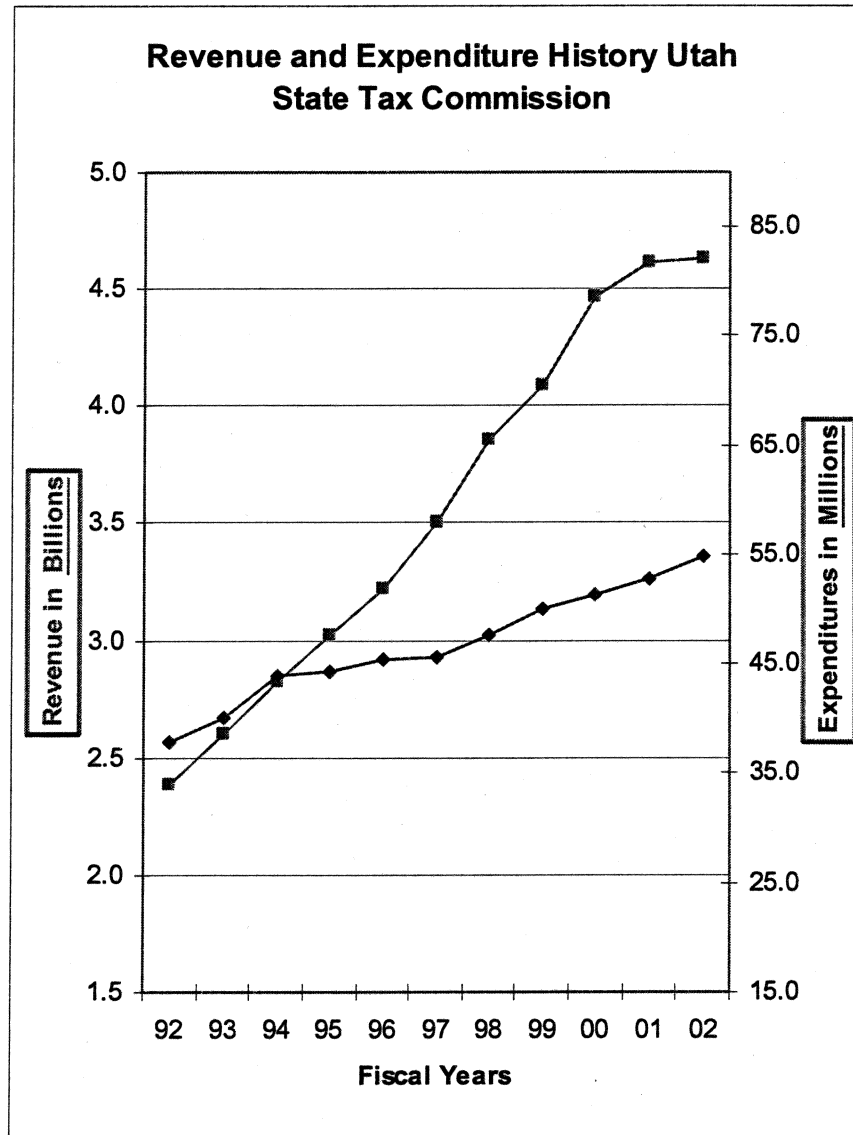
**1.0 Summary: Tax Commission**

The Tax Commission collects revenue for state and local governments and administers tax and motor vehicle laws. It handles revenue from more than 40 taxes, surcharges and fees, registers automobiles and regulates the automobile dealer industry. It employs more than 800 individuals, operates 12 offices across the state, collects more than \$4.5 billion and spends almost \$54 million annually.

	Analyst FY 2004 Base	Analyst FY 2004 Changes	Analyst FY 2004 Total
<b>Financing</b>			
General Fund	17,971,100	(306,400)	17,664,700
General Fund Restricted	4,855,500	(300)	4,855,200
Uniform School Fund	16,480,400	(800)	16,479,600
Transportation Fund	5,857,400		5,857,400
Transportation Fund Restricted	133,800		133,800
Federal Funds	476,600		476,600
Dedicated Credits	7,577,300		7,577,300
Transfers	60,300		60,300
Beginning Balance	4,431,800		4,431,800
Closing Balance	(3,608,800)		(3,608,800)
<b>Total</b>	<b>\$54,235,400</b>	<b>(\$307,500)</b>	<b>\$53,927,900</b>
<b>Programs</b>			
Tax Administration	49,435,000	(307,500)	49,127,500
License Plates Production	2,302,300		2,302,300
Liquor Profit Distribution	2,498,100		2,498,100
<b>Total</b>	<b>\$54,235,400</b>	<b>(\$307,500)</b>	<b>\$53,927,900</b>
<b>FTE/Other</b>			
Total FTE	836		836

**Revenue  
Collections**

Revenue collections have increased dramatically compared to the Department's relatively flat budget showing the Department's efficiency and the State's economic growth. Note also the shape of the Revenue Line. Our staff economist believes that the points preceding the leveling-off were spiked by the Olympics and make the economic slowing look worse than it is fundamentally.



## **2.0 Budget Highlights: Tax Commission**

### **2.1 Restoration of On-going Transportation Funding**

As part of balancing the budget in the Fifth Special Session, Commerce and Revenue Appropriations Subcommittee determined that Transportation Funds were under funding the total budget. There had been no increase in Transportation funding for ten years. They proposed to help balance the budget by reducing General Fund by \$5,000,000 and increasing Transportation Funds by the same amount. This was in addition to a reduction of \$945,000 (about 20 FTE) already taken.

The Transportation, Environmental Quality and National Guard Subcommittee worked to commission a study by the Legislative Auditor General to see if the amount was justified. Meanwhile, the Legislature appropriated an additional \$1,000,000 from the Transportation Fund and back filled the budget with \$4,000,000 in one-time General Fund (Deer Crossing Funds).

During the interim, the Legislative Auditor General's study looked at direct costs and determined that the currently unfunded portion of collection costs of transportation related fees and taxes amounted to \$3,684,500. Their audit did not include the allocated portion of indirect administrative costs of nearly \$1,300,000.

There is some controversy related to the legality and intent of the Legislature regarding the use of increased Transportation Fund for collection costs in the Tax Commission. This comes from an apparent conflict in the Utah Code. UCA 72-2-103 states, "...the amount appropriated or transferred from the Transportation Fund each year may not exceed a combined total of \$11,600,000 to:

- (a) the Department of Public Safety;
- (b) the State Tax Commission;
- (c) the Division of Finance; and
- (d) any other state agency that is not a part of the Department of Transportation"

The Utah Constitution, Article XIII Section 13 provides that the costs of collection and administration come from the Transportation Fund and that other expenditures from the fund must be for highway purposes.

The proceeds from the imposition of any license tax, registration fee, driver education tax, or other charge related to the operation of any motor vehicle upon any public highway in this State, and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuels used for propelling such vehicle, except for statutory refunds and adjustments allowed thereunder and *for costs of collection and administration*, shall be used exclusively for highway purposes...(emphasis added)”

UCA 41-1a-1201(5) states that “... the expenses of the commission [Tax Commission] in enforcing and administering this part shall be provided for by legislative appropriation from the revenues of the Transportation Fund.”

There is \$600,000 available under the cap imposed by UCA 72-2-103.

The FY 2004 recommendation is short this \$4,000,000. This is separate and in addition to the budget cuts that were imposed on state agencies last year. This equates to roughly 80 FTE. The Analyst believes that this will have a significant impact on the Commission’s ability to collect revenues and on customer service. The Analyst recommends appropriating an additional \$600,000 from the Transportation Fund, and increasing the Motor Vehicle Registration fee by \$1.50 (an option recommended by the Legislative Auditor General’s performance audit #2002-07). The Analyst also proposes to raise the fees on original titles, duplicate titles, new lien titles and salvage titles by \$1.50. This will raise an additional \$994,200. The Tax Commission has other compelling issues to address including \$300,000 in ITS reductions (see item 2.5 below) and Davis County Rent \$120,000 (see item 2.4 below).

<b>Transportation Fund .....</b>	<b>\$600,000</b>
<b>Dedicated Credits .....</b>	<b>3,913,300</b>

## 2.2 Implementation of Budget Reductions before Sixth Special Session

FY 2002 reductions of \$1,200,000 eliminated 10 FTE and held open 15 FTE vacancies. Additional reductions in FY 2003 (H.B. 5009) of \$944,400 reduced staffing by another 21 FTE. These reductions will result in the following by Division:

**Processing:** Income Tax Return processing will take longer, and delinquent billing cycles may be delayed. Fewer paper documents will be required with returns and will be requested in audits. Fewer Tax Booklets will be printed and most other publications will be printed only as requested.

**Taxpayer Services:** Citizens will wait longer for assistance with for help with tax questions. The Bankruptcy Section is handling a 20% increase in workload with reduced staff. Other Staff and collection agents are being redirected to help them keep up. Fewer collection resources are available to work with delinquent taxpayer accounts

**Auditing:** There will be fewer audits. The Division reduced out-of-state audits to save on travel expenses. Funds for expert testimony in the tax appeals process have been reduced.

**Property Tax:** There will be fewer personal property audits for counties. Centrally assessed property tax appraisals will have less supervisory review. The division is at risk of not meeting statutory deadlines if a vacancy occurs before or during the assessment period. County property tax oversight functions will have reduced focus and coordination.

**Technology Management:** Tax and Motor Vehicle computers and storage equipment will not be replaced or upgraded until it reaches a critical replacement point. PC replacement cycles will be extended to a longer duration.

**Administration:** Support staff reductions will result in more of their workload shifting to front line staff. Training has been reduced.

**Motor Vehicle:** Administrative functions have been reduced, shifting their work to branch office operations. Staff assigned to work with county officials on motor vehicle registrations has been reduced.

**Motor Vehicle Enforcement:** Motor Vehicle theft and fraud complaints will not be investigated as quickly. There will be fewer pro-active investigations of car dealer fraud and bankruptcy problems. Out-of-state plate enforcement and vehicle identification inspections will become a lower priority.

### 2.3 Implementation of HB 6001 Budget Reductions

The Legislature reduced the budget \$1,418,200. The Commission proposes to take the reductions as follows:

**Administration** will lose 3 FTE and reduce technical research, technical writing, and payroll processing functions.

**Auditing** will lose 4 FTE and will perform fewer audits.

**Technology Management** will lose 2 FTE and will reduce maintenance and updates of tax computer programs.

**Seasonals** will lose 4 FTE and Income Tax returns will be processed more slowly and payments will take longer.

**Tax Payer Services** will lose 4 FTE that will not be able to assist taxpayers trying to comply with the law or collect delinquent accounts.

**Property Tax Division** will lose 1 FTE that prepares data and analysis for county rate setting.

**Motor Vehicles** will lose 3 FTE that provide training and technical support to branch offices.

**Motor Vehicle Enforcement** will lose 1 FTE that investigates car dealers, vehicle fraud, and theft.

**Liquor Profit Distribution** will be reduced by \$260,000.

#### **2.4 Motor Vehicle Division Office Rent in Davis County**

According to Utah Code 59-2-406, each county has the option of determining whether the state or county will do the combined motor vehicle registration process for the citizens of their county. In January 2002, Davis County provided notice that they wanted to change the existing arrangement and contract with the state to do this work.

While there are reciprocal agreements covering the costs associated with staffing offices, the actual cost to rent office space is paid by the party that is contracted to do the work.

As part of the transition agreement, Davis County will allow the state to remain in their courthouse this year, though they want the state to find other office space on or before July 1, 2003. Based on lease information from DFCM, the estimated cost to rent office space will be \$16 per foot, and be from \$112,000 to \$128,000 for annual rent depending on whether they choose one single location or 2 smaller ones.

The Analyst proposes to raise the fees on original titles, duplicate titles, new lien titles and salvage titles by \$1.50. This will generate about \$994,200 as Dedicated Credits. Making it a Dedicated Credit allows it to increase to accommodate workload increases.

#### **2.5 External Transfers**

During the 2002 General Session, the Legislature appropriated a negative \$2 million to the division of finance-Mandated Account. The cut anticipated savings from a pending executive branch information technology consolidation. The appropriation included intent language stating:

*It is the intent of the Legislature that the Chief Information Officer identify General Fund information technology savings in state agencies and transfer the amount to the Division of Finance – Finance Mandated – Information Technology Consolidation to offset the negative appropriation.*

The CIO and cabinet departments could not identify specific information technology savings or program efficiencies to achieve the \$2 million savings. Instead the CIO and GOPB allocated the cuts based upon a weighted average of information technology budgets in the state.



The amount allocated to the Tax Commission \$299,400.

A Legislature made a separate budget reduction for small adjustments in the retirement rates. This reduction was allocated to all agencies. The amount from the Tax Commission is \$8,100 (\$7,000 from General Fund, \$800 from Uniform School Funds, and \$300 from General Fund Restricted – Sales and Use Tax Administration).

These items taken together are shown in 1.0 Summary Table as Analyst FY2004 Changes.

### 3.0 Programs: Tax Commission

#### 3.1 Administration

**Recommendation**      The Analyst recommends \$5,503,600.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	3,233,400	2,432,600	2,439,700	7,100
General Fund, One-time		67,200		(67,200)
Uniform School Fund	2,075,300	1,383,600	1,390,600	7,000
Uniform School Fund, One-time		(1,000,000)		1,000,000
Transportation Fund	613,900	613,800	613,800	
Dedicated Credits Revenue	113,100	112,700	112,700	
GFR - Sales and Use Tax Admin Fees	410,400	442,900	446,800	3,900
Beginning Nonlapsing	4,211,000	3,907,000	2,407,000	(1,500,000)
Closing Nonlapsing	(3,907,000)	(2,407,000)	(1,907,000)	500,000
<b>Total</b>	<b>\$6,750,100</b>	<b>\$5,552,800</b>	<b>\$5,503,600</b>	<b>(\$49,200)</b>
<b>Expenditures</b>				
Personal Services	4,535,900	4,409,000	4,351,800	(57,200)
In-State Travel	72,400	13,900	13,900	
Out of State Travel	48,700	44,000	44,000	
Current Expense	581,400	575,500	793,500	218,000
DP Current Expense	91,700	10,400	10,400	
DP Capital Outlay	1,413,100	420,000	210,000	(210,000)
Capital Outlay	6,900	80,000	80,000	
<b>Total</b>	<b>\$6,750,100</b>	<b>\$5,552,800</b>	<b>\$5,503,600</b>	<b>(\$49,200)</b>
<b>FTE/Other</b>				
Total FTE	71	69	67	(2)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Analyst recommends the following intent:

*The Legislature intends that these funds not lapse and that the balances carried forward be used for costs directly related to the modernization of tax and motor vehicle systems and processes.*

This budget includes the Commissioners' and the Executive Director's Offices. Both offices provide direction and leadership to the Department.

The Commissioners' Office:

- Develops tax policy and rules.
- Provides an appeals process with most appeals heard by administrative law judges.
- Internal Audit Section assures agency operations are in compliance with the law.
- Public Relations keeps the public informed with tax bulletins and news releases.
- The Commissioners' Economic and Statistical Unit forecasts state revenues and provides economic and statistical analyses from Tax Commission data.

The Executive Director's section:

- Directs and coordinates day to day department operations.
- Human Resource Management provides employee recruitment, classification, training, and payroll.
- Planning and Budget provides direction and oversight of the budget, training, goal setting and performance measurement.
- Legislation/Rules/Bulletins drafts legislation, rules, and bulletins, and coordinates legislative issues.
- General Services oversees facility operations and security.
- Financial Accounting tracks the state's revenue collections, including distribution of revenues to local governments. It also manages the Department's internal accounting processes.
- The Legal section is in charge of enforcement in criminal tax evasion cases.
- Manages disclosure and IRS liaison functions

**Accomplishments**

The Commission has been focused on enhanced electronic systems and filing options. Income Tax filing options now include JELF (Joint-Electronic Filing with the IRS). New in FY 2002 is the "TaxExpress" system that provides filing options via the telephone for select taxpayers and direct filing via the Internet to all tax payers, and electronic filing is allowed through third-party Internet providers.

Effective November 2001, single-place-of-business accounts can file their Sales Tax returns online. Long-term plans include designing forms and systems that allow online filing of all sales Tax returns.

Most registration renewals for motor vehicles and recreation vehicles can be renewed online using "RenewalExpress". This option is used by 8% of the eligible population.

The new motor vehicle system was fully implemented in all state-wide offices during FY 2002. The old system was over 20 years old, using antiquated technology and lengthy batch processing. The new system is an online system that allows immediate updates of vehicle information. Changes and corrections can be made at the time of the transaction, rather than requiring time-consuming batch data entry and post-edit modifications. With the new online system, information is immediately available for use by state and county officials, law enforcement, car dealerships, and financial institutions. Titles are now issued in a few weeks rather than a few months.

### 3.2 Auditing

#### Recommendation

The Analyst recommends \$7,852,900.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	3,153,000	3,009,900	3,102,200	92,300
General Fund, One-time		137,900		(137,900)
Uniform School Fund	2,652,000	2,736,200	2,512,100	(224,100)
Transportation Fund	535,800	535,500	535,500	
Federal Funds	489,500	479,600	476,600	(3,000)
GFR - Sales and Use Tax Admin Fees	1,082,300	1,162,200	1,166,200	4,000
Transfers	82,000	60,300	60,300	
<b>Total</b>	<b>\$7,994,600</b>	<b>\$8,121,600</b>	<b>\$7,852,900</b>	<b>(\$268,700)</b>
<b>Expenditures</b>				
Personal Services	7,189,900	7,376,800	7,263,800	(113,000)
In-State Travel	64,200	68,900	68,900	
Out of State Travel	360,000	283,000	283,000	
Current Expense	335,700	366,600	210,900	(155,700)
DP Current Expense	44,800	26,300	26,300	
<b>Total</b>	<b>\$7,994,600</b>	<b>\$8,121,600</b>	<b>\$7,852,900</b>	<b>(\$268,700)</b>
<b>FTE/Other</b>				
Total FTE	131	129	126	(3)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

Auditing increases voluntary taxpayer compliance through selective examination of taxpayer returns and supporting records. It audits all taxes except property tax, and conducts audits in-house and at taxpayers' places of business. It highlights compliance audits for investigation of suspected fraud and tax evasion. The Division has educational and customer service aspects to help taxpayers report future taxes properly.

#### Performance Measures

Auditing			
Fiscal Year	Audits Completed	Ratings	New sales tax Licenses
1998	23,670	4.20	84
1999	27,447	4.26	64
2000	33,288	4.29	136
2001	39,597	4.39	146
2002	45,213	4.39	275

### 3.3 Multi-State Tax Compact

**Recommendation**      The Analyst recommends \$179,000.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	88,100	84,700	83,900	(800)
Uniform School Fund	92,000	88,400	88,100	(300)
<b>Total</b>	<u>\$180,100</u>	<u>\$173,100</u>	<u>\$172,000</u>	<u>(\$1,100)</u>
<b>Expenditures</b>				
Current Expense	180,100	173,100	172,000	(1,100)
<b>Total</b>	<u>\$180,100</u>	<u>\$173,100</u>	<u>\$172,000</u>	<u>(\$1,100)</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Multi-State Tax Commission (MTC) is a conglomeration of state governments designed to help make state tax systems fair, effective and efficient as they apply to interstate and international commerce. It is also an effort to protect state tax sovereignty.

The two primary functions are the joint audit program and the Nexus Program.

The joint audit program reviews a business' sales and corporate income tax filings for several states at the same time. Accordingly, the program encourages compliance with state tax laws, generates tax revenues for states, contributes to uniformity in taxpayer treatment, and helps states learn about new industry conditions and circumstances.

The National Nexus Program encourages voluntary disclosure and discovers businesses that are not filing returns with states. The program facilitates an exchange of information between states to identify business reporting or filing inconsistencies among these states.

### 3.4 Technology Management Division

**Recommendation** The Analyst recommends \$7,333,800.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	5,497,200	3,596,100	3,375,800	(220,300)
General Fund, One-time		1,383,900		(1,383,900)
Uniform School Fund	2,367,500	2,156,600	2,237,200	80,600
Transportation Fund	558,500	558,400	558,400	
Dedicated Credits Revenue	10,100	1,000	1,000	
GFR - Sales and Use Tax Admin Fees	1,221,100	1,163,200	1,161,400	(1,800)
<b>Total</b>	<b>\$9,654,400</b>	<b>\$8,859,200</b>	<b>\$7,333,800</b>	<b>(\$1,525,400)</b>
<b>Expenditures</b>				
Personal Services	5,315,200	5,225,100	5,140,000	(85,100)
In-State Travel	4,000	3,500	3,500	
Out of State Travel	24,100	15,000	15,000	
Current Expense	327,500	268,200	268,200	
DP Current Expense	3,313,500	3,296,500	1,856,200	(1,440,300)
DP Capital Outlay	670,100	50,900	50,900	
<b>Total</b>	<b>\$9,654,400</b>	<b>\$8,859,200</b>	<b>\$7,333,800</b>	<b>(\$1,525,400)</b>
<b>FTE/Other</b>				
Total FTE	76	73	71	(2)

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Technology Management Division operates and maintains the Tax Commission's 40 different existing automated systems. It also develops and installs new automated systems to meet specialized demands. In addition, the Division provides service to internal customers through a system-wide "help desk."

Technology Management's performance goals are:

1. Resolve 85% of help desk calls without referral or routing.  
Results: Target met.
2. Complete assigned programming service requests in a timely and efficient manner.  
Results: Target met.
3. Provide reliable system back-up on a daily basis to support the various tax and Motor Vehicle systems enabling Tax Commission employees to efficiently respond to taxpayer inquiries.  
Results: No major system failures or data lost.

### 3.5 Tax Processing Division

#### Recommendation

The Analyst recommends \$5,699,000.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	711,100	683,000	552,600	(130,400)
General Fund, One-time		88,600		(88,600)
Uniform School Fund	4,486,000	4,389,300	4,507,600	118,300
Transportation Fund	630,800	630,600	630,600	
Dedicated Credits Revenue	8,200	8,200	8,200	
GFR - Sales and Use Tax Admin Fees	1,256,500	1,285,500		(1,285,500)
<b>Total</b>	<b>\$7,092,600</b>	<b>\$7,085,200</b>	<b>\$5,699,000</b>	<b>(\$1,386,200)</b>
<b>Expenditures</b>				
Personal Services	4,428,600	4,469,900	4,396,100	(73,800)
In-State Travel	100	900	900	
Out of State Travel	4,300	9,500	9,500	
Current Expense	2,608,800	2,561,600	1,249,200	(1,312,400)
DP Current Expense	16,800	18,500	18,500	
Capital Outlay	34,000	24,800	24,800	
<b>Total</b>	<b>\$7,092,600</b>	<b>\$7,085,200</b>	<b>\$5,699,000</b>	<b>(\$1,386,200)</b>
<b>FTE/Other</b>				
Total FTE	123	118	118	1

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Tax Processing Division disseminates tax forms, instructions, and publications to citizens. It collects and records tax payments and taxpayer information, processes paper and electronic tax documents, and archives documents for future retrieval.

Tax Processing		
Fiscal Year	Date Returns Filed	Date Checks Deposited
1998	25-Jul	30-Apr
1999	31-Jul	30-Apr
2000	30-Jun	28-Apr
2001	29-Jun	30-Apr
2002		30-Apr

**Tax Processing**

<b>Fiscal Year</b>	<b>Income</b>	<b>Withhold</b>	<b>Fuel</b>	<b>Common/ Sales</b>	<b>Corporate</b>	<b>Fiduciary</b>	<b>Misc.</b>	<b>Motor Vehicle</b>
1996	1,072,554	336,274	39,333	478,486	94,933	15,488	14,800	2,064,015
1997	1,200,205	375,696	31,845	513,836	101,321	16,593	16,094	2,189,843
1998	1,237,172	391,482	26,226	520,092	100,080	17,226	17,226	2,258,642
1999	1,158,849	402,826	23,340	535,170	109,849	16,324	16,324	1,262,346
2000	1,262,981	393,995	24,010	526,798	92,224	11,224	12,677	444,739
2001	1,362,883	424,022	22,326	514,493	134,865	22,091	12,732	383,652
2002	1,315,846	445,236	23,712	533,340	116,233	16,747	12,366	282,153

\* Variances between years can be impacted by timing differences at fiscal year's end



### 3.6 Seasonal Employees

#### Recommendation

The Analyst recommends \$662,800.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	402,200	371,500	544,000	172,500
Uniform School Fund	72,900	86,700	70,100	(16,600)
GFR - Sales and Use Tax Admin Fees	39,400	48,600	48,700	100
<b>Total</b>	<u>\$514,500</u>	<u>\$506,800</u>	<u>\$662,800</u>	<u>\$156,000</u>
<b>Expenditures</b>				
Personal Services	514,500	506,800	662,800	156,000
<b>Total</b>	<u>\$514,500</u>	<u>\$506,800</u>	<u>\$662,800</u>	<u>\$156,000</u>
<b>FTE/Other</b>				
Total FTE	23	22	22	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

Seasonal employees are an important factor in the efficient operation of the Tax Commission. Commission workloads vary sharply throughout the year. For instance, the Processing Division utilizes temporary employees during high volume document filing periods, such as the spring for income tax returns and each quarter for business tax returns.

### 3.7 Tax Payer Services

#### Recommendation

The Analyst recommends \$7,457,700.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	4,189,000	4,110,500	4,054,800	(55,700)
General Fund, One-time		102,800		(102,800)
Uniform School Fund	1,880,900	1,892,200	1,816,000	(76,200)
Transportation Fund	330,100	330,000	330,000	
Dedicated Credits Revenue	36,700	36,000	36,000	
GFR - Sales and Use Tax Admin Fees	1,160,500	1,217,200	1,220,900	3,700
<b>Total</b>	<b>\$7,597,200</b>	<b>\$7,688,700</b>	<b>\$7,457,700</b>	<b>(\$231,000)</b>
<b>Expenditures</b>				
Personal Services	6,979,400	7,059,400	6,979,400	(80,000)
In-State Travel	9,300	9,400	9,400	
Out of State Travel	700	3,800	3,800	
Current Expense	589,700	602,300	451,300	(151,000)
DP Current Expense	18,100	13,800	13,800	
<b>Total</b>	<b>\$7,597,200</b>	<b>\$7,688,700</b>	<b>\$7,457,700</b>	<b>(\$231,000)</b>
<b>FTE/Other</b>				
Total FTE	157	152	152	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

Taxpayer Services promotes voluntary compliance with Utah tax statutes, through outreach and education programs. They respond to written, phone, or in-person requests from taxpayers, assisting them in resolving tax issues by providing timely and accurate information. They use the Computer Assisted Collection System for Government (CACSG) to increase collection efficiency. The program also uses the Treasury Offset Program (TOP) to garnish Federal refunds of the more than 10,000 delinquent Utah taxpayers. The Division also out-sources debt collection of accounts that are not in litigation, under a payment agreement, assigned to a collector for active collection, or whose outsourcing would be in violation of state or federal law to the Office of State Debt Collection.

#### Performance findings of the State Office of Debt Collection

The State Office of Debt Collection reports that the Tax Commission has met one of six performance goals, Average Collections as Percent of Billings. Receivables Collected decreased 30%, Receivables Generated decreased 34%, Over 90 Days Past Due decreased 3%, Total Past Due decreased 3%, and Short Term Receivables decreased 4%.

Of the \$167,000,000 total receivables, the Tax Commission outsourced \$44,500,000 to third party collection vendors. \$1,300,000 was collected by the third party vendors in FY 2002.

**Performance  
Measures**

The Division uses these performance measures:

Tax Payer Services	
Fiscal Year	Delinquent to Acct. Receivable
1998	2.57%
1999	3.09%
2000	2.78%
2001	2.94%
2002	3.23%

Tax Payer Services		
Delinquent Collections		
Fiscal Year	(in millions) Resolved	% Change
1998	98	
1999	110	12.2%
2000	116	5.5%
2001	113	-2.6%
2002	122	8.0%

Tax Payer Services	
Fiscal Year	Cost / \$ Collected
1996	0.090
1997	0.080
1998	0.066
1999	0.044
2000	0.044
2001	0.043
2002	0.044

### 3.8 Property Tax

#### Recommendation

The Analyst recommends \$3,953,900.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Uniform School Fund	3,709,200	3,747,400	3,857,900	110,500
Dedicated Credits Revenue	95,900	96,000	96,000	
<b>Total</b>	<b>\$3,805,100</b>	<b>\$3,843,400</b>	<b>\$3,953,900</b>	<b>\$110,500</b>
<b>Expenditures</b>				
Personal Services	3,317,900	3,153,500	3,164,600	11,100
In-State Travel	75,800	76,000	76,000	
Out of State Travel	31,400	39,800	39,800	
Current Expense	357,300	537,900	637,300	99,400
DP Current Expense	22,700	36,200	36,200	
<b>Total</b>	<b>\$3,805,100</b>	<b>\$3,843,400</b>	<b>\$3,953,900</b>	<b>\$110,500</b>
<b>FTE/Other</b>				
Total FTE	57	53	53	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

Property Tax appraises and audits complex natural resource extraction and transportation related properties in the state, as well as properties that cross county or state lines. Such properties include those owned by airlines, motor carriers, railroads and utilities.

The Division works with local officials to assure equitable and accurate assessment and taxation under local property tax systems. It also administers the Truth-In-Taxation law.

#### Performance Measures

Property Tax	
Fiscal Year	Audits/Auditor
1998	285
1999	277
2000	252
2001	268
2002	275

### 3.9 Motor Vehicle

#### Recommendation

The Analyst recommends \$8,350,100.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	3,574,400	374,600	98,700	(275,900)
General Fund, One-time		2,750,000		(2,750,000)
Transportation Fund	2,190,800	3,189,100	3,189,100	
Dedicated Credits Revenue	4,069,400	4,117,300	4,117,300	
GFR - Sales and Use Tax Admin Fees	779,200	806,500	811,200	4,700
TFR - Uninsured Motorist I.D.	133,800	133,800	133,800	
<b>Total</b>	<b>\$10,747,600</b>	<b>\$11,371,300</b>	<b>\$8,350,100</b>	<b>(\$3,021,200)</b>
<b>Expenditures</b>				
Personal Services	7,027,400	7,847,000	7,870,200	23,200
In-State Travel	16,600	9,200	9,200	
Out of State Travel	100	5,400	5,400	
Current Expense	3,515,500	3,320,500	276,100	(3,044,400)
DP Current Expense	188,000	189,200	189,200	
<b>Total</b>	<b>\$10,747,600</b>	<b>\$11,371,300</b>	<b>\$8,350,100</b>	<b>(\$3,021,200)</b>
<b>FTE/Other</b>				
Total FTE	198	198	198	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

The Division of Motor Vehicles (DMV) administers statewide vehicle title, registration, and related functions. It implements motor vehicle policy and procedure, and maintains the State's motor vehicle computer system. They also provide training to all users, manage a telephone section for statewide assistance, and manage vehicle related appeals. Additionally, the DMV administers the International Registration Plan and the International Fuel Tax Administration Plan.

Utah Code Annotated 59-2-406 authorizes the Tax Commission to contract with county governments, at the counties' option, to provide local customer services for the combined collection of the county's fee-in-lieu and Title 41 Motor Vehicle Fees. Several counties have elected to retain those functions. Fees for the reciprocal services provided between the State and counties are established in statute. Subsection 406 (3) directs the Tax Commission to recommend a reimbursement fee "sufficient to cover the costs of collecting the fees. The reimbursement fees shall be appropriated by the Legislature."

**Performance  
Measures**

Motor Vehicles					
Fiscal Year	Calls	County Transactions	State Run Transactions	Mail Renewals	Internet Renewals
1998	393,478	1,669,046	590,344	71,866	
1999	394,681	1,048,487	1,285,784	337,351	
2000	338,838	653,602	1,724,437	446,943	
2001	338,909	658,208	1,703,073	381,245	61,765
2002	371,599	637,701	1,754,309	359,592	136,345

### 3.10 Motor Vehicle Enforcement

**Recommendation** The Analyst recommends \$2,141,700.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	674,800	810,100	914,900	104,800
Federal Funds	135,500	31,400		(31,400)
Dedicated Credits Revenue	1,313,000	1,226,800	1,226,800	
<b>Total</b>	<b>\$2,123,300</b>	<b>\$2,068,300</b>	<b>\$2,141,700</b>	<b>\$73,400</b>
<b>Expenditures</b>				
Personal Services	1,671,500	1,669,600	1,657,500	(12,100)
In-State Travel	7,500	9,400	6,000	(3,400)
Out of State Travel	15,700	13,000	7,700	(5,300)
Current Expense	423,400	372,000	466,200	94,200
DP Current Expense	5,200	4,300	4,300	
<b>Total</b>	<b>\$2,123,300</b>	<b>\$2,068,300</b>	<b>\$2,141,700</b>	<b>\$73,400</b>
<b>FTE/Other</b>				
Total FTE	30	29	29	

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

#### Purpose

The Motor Vehicle Enforcement Division (MVED) protects Utah citizens from motor vehicle fraud and fosters a healthy motor vehicle sales environment. MVED regulates the automobile sales industry and investigates commercial auto theft, salvage vehicle fraud, odometer fraud, and other vehicle related crimes.

Motor Vehicles Enforcement			
Fiscal Year	Business Licenses	Investigations	Total Revenues
	Issued		
1996	7,954	5,389	\$3,131,595
1997	8,494	6,380	2,850,717
1998	8,195	5,965	3,169,325
1999	8,441	5,513	3,250,614
2000	8,933	8,312	3,654,149
2001	9,448	8,535	3,220,052
2002	9,477	9,808	3,344,922

Motor Vehicles Enforcement							
Fiscal Year	Cases Investigated	Criminal Counts	Citations	Summons Served	Traffic Stops	Impounds	Recovered Stolen
1996	2,242	313	1,123	68	1,311	124	93
1997	2,197	232	1,727	28	1,610	138	200
1998	1,686	309	1,536	24	1,938	153	224
1999	1,464	176	1,533	39	1,887	109	209
2000	2,129	377	2,438	35	2,782	212	226
2001	3,201	323	2,233	25	2,512	110	226
2002	2,827	200	2,971	10	3,281	207	227

**3.11 License Plate Production****Recommendation**

The Analyst recommends \$2,302,300.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
Dedicated Credits Revenue	1,979,300	1,979,300	1,979,300	
Beginning Nonlapsing	2,670,800	2,347,800	2,024,800	(323,000)
Closing Nonlapsing	(2,347,800)	(2,024,800)	(1,701,800)	323,000
<b>Total</b>	<u>\$2,302,300</u>	<u>\$2,302,300</u>	<u>\$2,302,300</u>	<u>\$0</u>
<b>Expenditures</b>				
Current Expense	2,302,300	2,302,300	2,302,300	
<b>Total</b>	<u>\$2,302,300</u>	<u>\$2,302,300</u>	<u>\$2,302,300</u>	<u>\$0</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

**Purpose**

This pays for materials and labor for the State Prison license plate production operation. Revenue is generated through a fee paid when acquiring license plates. It is non-lapsing by Utah Code Annotated 41-1-43.



### 3.12 Liquor Profit Distribution

**Recommendation**      The Analyst recommends \$2,498,100.

	2002 Actual	2003 Estimated	2004 Analyst	Est/Analyst Difference
<b>Financing</b>				
General Fund	2,099,000	2,609,000	2,498,100	(110,900)
General Fund, One-time		(2,609,000)		2,609,000
Beginning Nonlapsing	357,600			
<b>Total</b>	<u>\$2,456,600</u>	<u>\$0</u>	<u>\$2,498,100</u>	<u>\$2,498,100</u>
<b>Expenditures</b>				
Other Charges/Pass Thru	2,456,600		2,498,100	2,498,100
<b>Total</b>	<u>\$2,456,600</u>	<u>\$0</u>	<u>\$2,498,100</u>	<u>\$2,498,100</u>

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency

### Purpose

Utah Code Annotated 32a-1-115:

“The Legislature shall provide an appropriation from the General Fund from liquor control profits to cities, towns, and counties and from the proceeds of the beer excise tax...in an amount not exceeding \$4,350,000. The appropriation is used exclusively for programs or projects related to prevention, detection, prosecution, and control of violations of this title and other alcohol related offenses. The portion distributed under this section to counties is also used for the confinement or rehabilitation, and construction and maintenance of facilities for confinement or rehabilitation, of persons arrested for or convicted of alcohol-related offenses...”

The Distribution formula for these funds is as follows:

- 25 % to cities, counties and towns based on population;
- 30 % to cities, counties and towns based on alcohol related convictions;
- 20 % to cities, counties and towns based on the number of liquor stores;
- 25 % to counties for facilities based on population.

## 4.0 Additional Information

## 4.1 Funding History

	2000	2001	2002	2003	2004
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	23,481,400	23,926,400	23,622,200	18,082,000	17,664,700
General Fund, One-time				1,921,400	
General Fund Restricted	5,617,000	5,723,100	5,949,400	6,126,100	4,855,200
Uniform School Fund	16,238,300	16,580,800	17,335,800	16,480,400	16,479,600
Uniform School Fund, One-time				(1,000,000)	
Transportation Fund	4,857,400	4,857,400	4,859,900	5,857,400	5,857,400
Transportation Fund Restricted		283,800	133,800	133,800	133,800
Federal Funds	590,300	570,400	625,000	511,000	476,600
Dedicated Credits	6,203,900	6,796,600	7,625,700	7,577,300	7,577,300
Transfers	14,800	85,100	82,000	60,300	60,300
Beginning Balance	12,465,400	10,806,800	7,239,400	6,254,800	4,431,800
Closing Balance	(12,306,800)	(7,239,400)	(6,254,800)	(4,431,800)	(3,608,800)
Lapsing Balance		(153,600)			
<b>Total</b>	<b>\$57,161,700</b>	<b>\$62,237,400</b>	<b>\$61,218,400</b>	<b>\$57,572,700</b>	<b>\$53,927,900</b>
<b>Programs</b>					
Tax Administration	52,656,500	57,862,300	56,459,500	55,270,400	49,127,500
License Plates Production	1,923,700	2,096,200	2,302,300	2,302,300	2,302,300
Liquor Profit Distribution	2,581,500	2,278,900	2,456,600		2,498,100
<b>Total</b>	<b>\$57,161,700</b>	<b>\$62,237,400</b>	<b>\$61,218,400</b>	<b>\$57,572,700</b>	<b>\$53,927,900</b>
<b>Expenditures</b>					
Personal Services	37,797,800	39,635,600	40,980,300	41,717,100	41,486,200
In-State Travel	150,900	197,000	249,900	191,200	187,800
Out of State Travel	544,500	480,100	485,000	413,500	408,200
Current Expense	10,384,000	10,745,100	11,221,700	11,080,000	6,827,000
DP Current Expense	4,525,600	4,804,100	3,700,800	3,595,200	2,154,900
DP Capital Outlay	1,002,500	4,087,500	2,083,200	470,900	260,900
Capital Outlay	174,900	9,100	40,900	104,800	104,800
Other Charges/Pass Thru	2,581,500	2,278,900	2,456,600		2,498,100
<b>Total</b>	<b>\$57,161,700</b>	<b>\$62,237,400</b>	<b>\$61,218,400</b>	<b>\$57,572,700</b>	<b>\$53,927,900</b>
<b>FTE/Other</b>					
Total FTE	882	884	866	843	836

\*General and school funds as revised by Supplemental Bills I-V, 2002 General and Special Sessions. Other funds as estimated by agency.

**4.2 State Tax Commission – Federal Funds**

<b>Program</b>			<b>FY 2002 Actual</b>	<b>FY 2003 Estimated</b>	<b>FY 2004 Analyst</b>
Auditing Mineral Management Service	Federal		\$485,200	\$471,000	\$471,000
	Required State Match				
	Total		485,200	471,000	471,000
Auditing Federal Highway Admin.	Federal		4,300	8,600	5,600
	Required State Match				
	Total		4,300	8,600	5,600
Motor Vehicle Enforcement DOT, N.H.T.S.A.	Federal		14,500	9,500	0
	Required State Match				
	Total		14,500	9,500	0
Motor Vehicle Enforcement Department of Justice	Federal		121,000	21,900	0
	Required State Match				
	Total		121,000	21,900	0
<b>Federal</b>			<b>625,000</b>	<b>511,000</b>	<b>476,600</b>
<b>Required State Match</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>			<b>625,000</b>	<b>511,000</b>	<b>476,600</b>

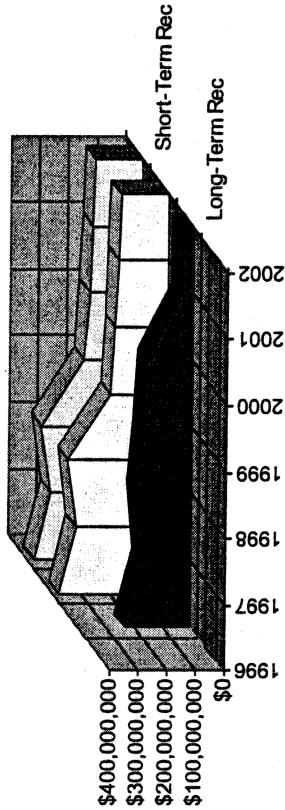
4.3 Fees	FY 2003 Current	FY 2004 Proposed	Diff.	FY 2004 Units	Revenue Change
Temporary Permit	6.00	6.00		284,850	
Liquor Profit distribution Fee	6.00	6.00		533	
Microfilm Research Fee	6.50	6.50		1,415	
Data Processing Set-up	55.00	55.00		18	
Lien Subordination (not to exceed)	300.00	300.00		7	
<b>Motor Vehicle Information</b>	<b>2.00</b>	<b>3.00</b>	<b>1.00</b>	<b>30,000</b>	<b>30,000</b>
Motor Vehicle Information via the Internet	1.00	1.00		42,000	
Salvage Vehicle Inspection Fee	50.00	50.00		347	
IFTA Reinstatement Fee	100.00	100.00		200	
Special Group L.P. Fee - Decal Program (plus Standard Plate fee -\$5) - Others	2.50	2.50		22,640	
Special Group L.P. Fee Plate Program Olympics DELETE in FY 04	3.50	0.00	(3.50)		
Custom Programming Fee/Hour	85.00	85.00			
Research Fee (Special Requests)/Hour	20.00	20.00			
Photocopies (over 10 copies)/Page	0.10	0.10			
Faxed Document Processing Fee/Page	1.00	1.00			
Dismantlers Retitling Inspection Fee (Charge to recind permit)	50.00	50.00			
Certified Document Fee	5.00	5.00	incl. w/microfilm research		
IFTA Decal Fee/Set	4.00	4.00		32,500	
Sample License Plates	5.00	5.00			
Olympic Sample License Plates (including \$17 donation) DELETE in FY 04	22.00	0.00	(22.00)		
Motor Carrier Unit Cost Report	10.00	10.00			
Tax Clearance Fee	50.00	50.00		680	
Aircraft Registration Fee	7.00	7.00		271	
Motor Fuel Reports	55.00	55.00			
Electronic Processing Fee for Select Motor Vehicle Transactions (not to exceed \$3)	3.00	3.00		144,250	
<b>Motor Vehicle Transaction Fee - per Standard Unit</b>	<b>1.10</b>	<b>1.12</b>	<b>0.02</b>	<b>1,612,415</b>	<b>32,248</b>
<b>Decal Replacement Fee - Parks and Recreation (existing fee added to list)</b>	<b>4.00</b>	<b>4.00</b>			
Decal Replacement Fee - M.V.	1.00	1.00		10,122	
In-transit Permit fee (96 hour)	2.50	2.50		7,345	
Motor Fuel License	30.00	30.00		6	
Special Fuel License	30.00	30.00		23	
<b>Motor Carrier Cab Card</b>	<b>3.00</b>	<b>5.00</b>	<b>2.00</b>	<b>58,694</b>	<b>117,388</b>
Motor Carrier Duplicate Registration	3.00	3.00			
Special Fuel Trip Permit (96 hour)	20.00	20.00			
Cigarette Tax License	30.00	30.00		258	
Motor Vehicle Manufacturer's Plate-Purchase	9.50	9.50		5	
Motor Vehicle Manufacturer's Plate-Renewal	8.00	8.00		40	
Motor Vehicle Dealer Plate-Purchase	11.50	11.50		2,396	
Motor Vehicle Dealer Plate-Renewal	10.00	10.00		10,188	
Motor Vehicle Dismantler's Plate-Purchase	9.50	9.50		6	
Motor Vehicle Dismantler's Plate-Renewal	8.00	8.00		48	
Motor Vehicle Transporters Plate-Purchase	9.50	9.50		338	
Motor Vehicle Transporters Plate-Renewal	8.00	8.00		1,379	
Motor Vehicle Manufacturer's/Remanufacturer's License	100.00	100.00		41	
Motor Vehicle Dealer License	125.00	125.00		623	
Motor Vehicle Transporters License	50.00	50.00		395	

4.2 Fees	FY 2003 Current	FY 2004 Proposed	Diff.	FY 2004 Units	Revenue Change
Small Trailer-Dealer License	50.00	50.00		34	
Motor Vehicle Body Shop License	110.00	110.00		65	
Used Motor Vehicle Dealer License	125.00	125.00		1,125	
Motor Vehicle Dismantler's License	100.00	100.00		63	
Motor Vehicle Salesman's License	30.00	30.00		5,739	
Motor Vehicle Salesmen's License Transfer	5.00	5.00		889	
Motor Vehicle Crusher's License	100.00	100.00		9	
Used Motor Cycle Dealer License	50.00	50.00		7	
New Motor Cycle Dealer License	50.00	50.00		32	
Representative License Plate	25.00	25.00		239	
M.V. Dealer additional place of business	25.00	25.00		144	
Distributor's License	60.00	60.00		66	

# Summary of Tax Commission Short Term Receivables

The Tax Commission administers and supervises the tax laws of the state.

## Outstanding Receivables



### Comments:

The Tax Commission has met one performance measure goal for FY02 - Avg. Collections as a % Of Billings is 120.4% (goal 90%). Receivables collected decreased 30%, 44.27 M. Receivables generated also decreased 34%, \$43.72 M. Over 90 Days Past Due decreased 3% in FY02, \$4.53 M. Total Past Due also decreased 3% in FY02, \$5.64 M. Short Term Receivables decreased 4% in FY02, \$7.19 M.

Of the \$167 M total receivables, the Tax Commission outsourced \$44.5 M to third party collection vendors. \$1.3 M was collected by the third party vendors in FY02.

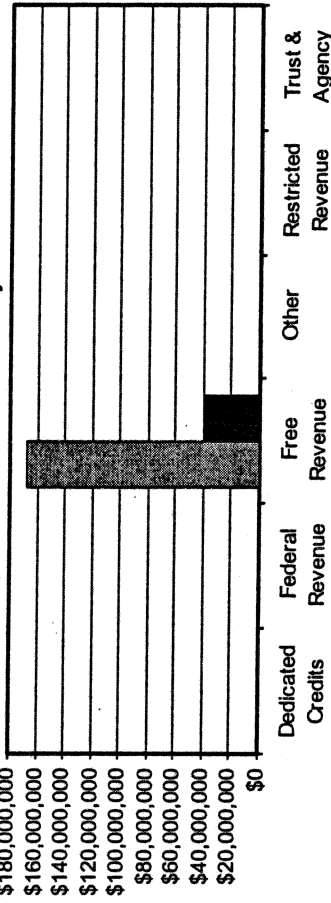
The Federal Offset Program used by the tax commission increased collections by \$1.1 M. The remainder of the decrease in Short Term Receivables is attributable to the Divisions improved efforts to manage, collect and resolve past due accounts.

### FY2002 Receivables

# of Accounts Outstanding	Receivables Generated	Receivables Collected	Cost of Collection
115044	\$84,595,753.61	\$101,855,564.64	\$6,154,354.00

The cost of collection per dollar collected in FY02 is \$.060. This is a significant decrease from the \$.102 per dollar reported in FY01. The decrease is due to a change in reporting costs, rather than business practice changes.

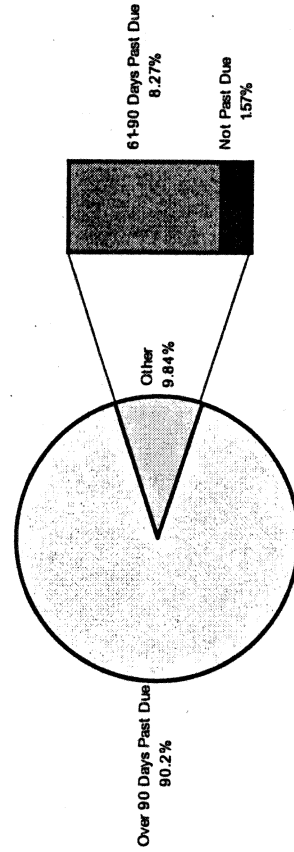
## Outstanding Short-Term Receivables by Fund



■ Short-Term Receivables ■ Est Collectible Short-Term Rec

## Short-Term Receivables by Fund Detail - 2002 JUN 30

	Dedicated Credit	Federal Revenue	Free Revenue	Other Revenue	Restricted Revenue	Trust & Agency
Short-Term Receivables	\$0	\$180,748	\$167,969,556	\$0	\$0	\$0
Est. Collectible Short-Term Rec.	\$0	\$180,748	\$40,312,694	\$0	\$0	\$0



## Receivable Ageing

Office of  
LEGISLATIVE AUDITOR GENERAL  
State of Utah

REPORT NUMBER 2002-07

November 2002

**A Performance Audit  
of Collecting  
Transportation-related Revenue**



The Tax Commission collects multiple fees and taxes which are sent as revenue to the state Transportation Fund. Our audit of these revenues had two objectives: (1) to validate the reported cost of collecting these transportation-related fees and taxes; and, (2) to examine options for recovering the collection costs. The Legislature faces a policy decision of how to recover these collection costs. This audit presents some viable options for funding the Tax Commission's expenses for transportation-related revenue collections:

- **New Revenues** — Collect new revenues generated by raising vehicle registration and title fees (comparable to other states), with the increase being retained by DMV and dedicated to cost recovery, or
- **Transportation Fund Revenues** — Continue to fund the costs with increased allocations from the Transportation Fund, as implied in existing law, or
- **General Fund Revenues** — Use an increase of General Fund appropriations to fund costs, based on historical precedent of the past 10 years.

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For FY 2003, DMV funding was cut from the General Fund. It was later restored with one-time funds. As a result, DMV has a shortfall of between \$3.7 and \$4 million for FY 2004.

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During the Fifth Special Session of 2002, the fiscal year 2003 General Fund appropriation to the Tax Commission was cut back and the Division of Motor Vehicles' (DMV's) budget was reduced by \$5 million. In that

same special session of 2002, the Legislature restored the \$5 million of funding to the Tax Commission with a one-time appropriation of \$4 million from the General Fund and an ongoing appropriation of \$1 million from the Transportation Fund. But, this left a potential ongoing funding shortfall of \$4 million for fiscal year 2004.

Facing a fiscal year 2004 budget reduction this large, Tax Commission executives said that the DMV would not be able to operate as currently configured; it would not be able to offer the same level of motor vehicle services statewide and some DMV offices would be closed. If offices were closed, Utah Code gives the counties the option to perform DMV functions, but the state would have to reimburse the counties. So, closing offices would not fully resolve the issue of the budget shortfall.

We reviewed the total applicable collection costs for fiscal year 2002 and deducted the dedicated credits (a portion of the fees retained to offset collection costs) to come up with the net collection costs. Assuming that collection costs will be the same or greater for fiscal year 2003, and deducting the Transportation Fund transfers of \$5.8 million, an adjusted funding shortfall of \$3.7 million exists. Figure 1 identifies this additional ongoing funding needed by the Tax Commission to collect the transportation-related fees and taxes.

**At least \$3.7 million in ongoing funding is needed for FY 2004 to restore transportation-related collection programs.**

**Figure 1. Additional Ongoing Funding Needed to Collect Transportation-related Fees and Taxes.** Due to a drop in General Funds, about \$3.7 million is needed to meet costs.

Explanation	Amount
FY 2002 Total Transportation Fund Related Collection Costs <sup>1</sup>	\$14,299,100
Less Funding from Dedicated Credits	(4,757,200)
<b>Net Collection Costs</b>	<b>9,541,900</b>
Less FY 2003 Transportation Fund Appropriation <sup>2</sup>	(5,857,400)
<b>ADDITIONAL ONGOING FUNDING NEEDED</b>	<b>\$3,684,500</b>

1. See Figure 2 for a breakdown of these costs by Tax Commission divisions.

2. During the Fifth Special Session of 2002, the ongoing Transportation Fund appropriation was increased from \$4.8 million to \$5.8 million for the Tax Commission.

Although the budget shortfall was actually restored with \$4 million of one-time funding, our review of costs shows conservatively that at least an



additional \$3.7 million of revenue is needed on an ongoing basis to fund the collection of transportation taxes. Figure 1 does not include the allocated portion of indirect administrative costs of nearly \$1.3 million which we recommend not be included as part of the total collection costs.

## Direct Costs Were Reviewed

**Our review shows the total direct costs of transportation-related fees and tax collection to be \$14.3 million.**

The DMV and several divisions within the Tax Commission contribute directly to the collection of transportation-related taxes and fees which are deposited into the Transportation Fund. As part of our assignment to review the recent funding shortfall, we conducted a limited review of the DMV budget and related costs from other divisions. We examined expenditures for fiscal year 2002 and verified that the costs listed are directly related to the collection of revenues that feed the Transportation Fund. However, we did not attempt to evaluate the efficiency of revenue collection processes. These costs, identified in Figure 2, were estimated to be about \$14.3 million for fiscal year 2002.

**Figure 2. Direct Costs of Collecting Transportation-related Fees and Taxes at the Utah State Tax Commission's Divisions.**

<b>Tax Commission Division</b>	<b>Direct Costs</b>
Administration (accounting)	\$ 159,600
Auditing	563,200
Technology Management	2,001,200
Processing	929,100
Taxpayer Services (customer service and delinquent collections)	123,600
Property Tax	0
Motor Vehicle Enforcement Division	0
Division of Motor Vehicles (transportation-related)	10,522,400
<b>TOTAL</b>	<b>\$ 14,299,100</b>

Figure 2 also shows that DMV accounts for about \$10.5 million, more than 73 percent, of the total costs associated with the Transportation Fund. The remaining \$3.8 million are costs associated

with the collection of fuel taxes and services supporting DMV and fuel tax operations.

The Tax Commission collects revenues totaling \$554.2 million associated with the Transportation Fund and other DMV collections, according to fiscal year 2001 data provided by the Tax Commission. These revenues consist of \$53.9 million for the General Fund, \$388.2 million for the Transportation Fund, and \$112.1 million for the counties.

There are transactions performed by DMV that benefit other agencies which are not wholly related to the Transportation Fund. A significant function of DMV is not only to collect fees and taxes for the Transportation Fund, the counties, and the state General Fund, but also to register and license vehicles. The registration and licensing of vehicles clearly serves state and local public safety. Some users of the Transportation Fund believe that related collection costs should be divided more fairly among other agencies receiving benefits (for example law enforcement and counties).

However, in 1994 our office did a detailed time and motion study which determined the amount the counties should pay DMV for services provided. County payments for DMV services are reported as part of the dedicated credits reflected in figures within this report. This study has been updated by DMV to account for cost-of-living increases and the new motor vehicle system and should be an accurate reflection of costs. Determining other related costs of registration and licensing that may benefit law enforcement would be difficult and beyond the scope of this audit.

### **Costs Are Difficult to Separate**

The DMV's operational costs are a result of transactions associated with the collection of various taxes and the regulation and licensing of motor vehicles. Numerous transactions are performed at each of the DMV offices throughout the state. The majority of these transactions are vehicle registrations and/or title transfers. The registration and title transfer are separate transactions, but both transactions are completed by the same staff using different computer strokes.

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**Registration and title transactions are coupled with other fee collections making it difficult to separate costs.**

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Costs are difficult to separate because the DMV collects for entities other than Transportation.

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DMV costs are further complicated because collections from each transaction go to different users. For example, the vehicle registration transaction is used to collect taxes and fees for the users of the Transportation Fund as well as county assessed fees. The title transfer is used to collect fees for the Transportation Fund and sales taxes for both the state and the counties. Finally, fees and taxes collected by DMV for the Transportation Fund can be credited to as many as 12 different revenue accounts.

While collecting these taxes and fees, which benefit numerous users, DMV also issues vehicle registrations and titles which benefits local and state public safety and insurance companies. The determination of what costs belong to which agency is a judgment call and depends upon how one wants to assign cost. In our opinion, the assignment of DMV costs are best determined as a matter of policy by the Legislature.

### **Legislative Options Exist for Cost Recovery**

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There are options for funding the collection costs:

- Raise DMV fees comparable to other states' fees.
- Increase Transportation Funds.
- Increase General Funds.

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The Legislature has options for recovering the currently-unfunded portion of collection costs of transportation-related fees and taxes at the Tax Commission. Traditionally, DMV and other division costs have been provided from the Transportation Fund, General Fund, and from dedicated credits. As mentioned, recent strains on the General Fund led to \$5 million from the General Fund being converted to \$4 million in one-time funds and a \$1 million increase to transportation fund transfers to the Tax Commission. This section of the report presents policy alternatives the Legislature can consider to meet the \$3.7 million funding shortfall for fiscal year 2004.

Figure 3 summarizes the three options we present, along with the corresponding affected entities.

**Figure 3. The Legislature has Options for Addressing the Unfunded \$3.7 Million Needed by the Tax Commission for Collecting Transportation-related Fees and Taxes.**

Funding Option	Affected Entity
1. Raise select DMV fees, (comparable to other states' fees) to be dedicated to cost recovery.	Utah vehicle users
2. Increase ongoing funds from the Transportation Fund	Department of Transportation
3. Increase General Fund revenues	General Fund

In short, each of the three options has a viable argument. In Option 1, fees could be increased, which gives the Legislature the benefit of added revenue in the form of dedicated credits. In Option 2, it could be argued that the **Utah Constitution** and the **Utah Code** allow for cost recovery through the Transportation Fund. In Option 3, the Legislature has set historical precedence by relying on the General Fund more and more over the past ten years to pay the costs of collecting transportation-related fees and taxes.

There is a fourth approach which is not viable for the current situation—it is to split collection costs among the various benefactors of the Transportation Fund. We do not present this approach here because it would require more analysis than this limited-scope audit could provide. Essentially, costs of the program could be spread among the benefactors according to the percent of revenue received, or costs could be spread according to actual services rendered. The second approach would require a more detailed analysis. In our opinion, neither of these options of splitting collection cost among the benefactors of the Transportation Fund are as viable as the first three options presented in this report. Our primary concern is that splitting the collections costs will result in either the counties having to pay a disproportionate share based on revenues, or the necessary data needed to determine a fair split not being available for the 2004 General Session.

### **Cost Recovery Could Come From Increased DMV Fees**

Additional revenues could be raised through a moderate increase in vehicle registration and title fees. Vehicle registration fees have not been increased since 1997 and title fees have not been increased since 1991.

**Increasing vehicle registration fees and title fees would provide needed funding for cost recovery.**

When compared to other western states, Utah's fees for comparable vehicles are relatively low. There are so many variables affecting the fee amounts in other states that to look at fees in general would not be accurate. Consequently, we chose to review the actual fees for a sample of comparable vehicles.

Based on our fee comparisons, Utah's vehicle registration fee could have a moderate increase and still be under the average registration fee for the surrounding states. For our comparison, we chose the most popular vehicles in the four major vehicle classes. We researched the fees for two different years so that each state had an average of eight vehicle scenarios. This comparison is summarized in Figure 4.

Utah vehicle registration fees are below the average of other western states.

**Figure 4. Utah is Below the Average of Western States for Motor Vehicle Registration.** The figures from other states are a compiled average of eight registration scenarios of four popular vehicles in the major vehicle categories (Passenger, SUV, Light Truck, Full-size Truck) for two years (2001 and 1996).

State	Average Fee
Arizona <sup>1</sup>	\$ 8.00
California	29.00
Idaho	36.00
Montana <sup>2</sup>	18.75
Nevada	33.00
New Mexico	36.00
Oregon <sup>3</sup>	15.00
Washington	33.75
Wyoming <sup>4</sup>	20.00
<b>Average of Other States</b>	<b>\$ 25.50</b>
UTAH	21.00
<b>Difference</b>	<b>\$ 4.50</b>

1. Arizona's registration fee is low because it is offset by an in-lieu fee—the "Vehicle Licensing Tax" collected as part of the registration fee.
2. Montana's fee is lower than Utah but there are no fees in-lieu like Arizona.
3. Oregon has lower fees, but officials say they rely on a highway "wear and tear" fee (based on weight), which most states have abandoned, and also have a higher fuel tax relative to some western states.
4. Wyoming counties may be asking the Legislature for a \$3.00 per transaction fee, which could raise rates, according to one county treasurer's office.



Utah's fee of \$21 is significantly lower than five of the nine western states. However, two of the four states with fees lower than Utah's have other related taxes that support the registration process. Also, one of the four states may be raising its fee this year, leaving only one state with a lower fee than Utah. The modest increase recommended in this report would still leave Utah's registration fee among the lowest of western states.

In addition to registration fees, a comparison of Utah's original title fee and duplicate title fee with that of other western states shows that Utah's fees are about \$4 lower than the average of surrounding states. This comparison, shown in Figure 5, suggests that fees for all titles could be increased.

**Figure 5. Utah is Below the Average of Western States for Motor Vehicle Title and Duplicate Title Fees.** Utah's original title fees are about \$4 under the average and duplicate title fees are about \$4.50 under the average of other states.

State	Original Title Fee	Duplicate Title Fee
Arizona	\$ 4.00	\$ 4.00
California	10.00	7.00
Colorado	6.50	7.50
Idaho	8.00	8.00
Montana	5.00	3.00
Nevada	20.00	20.00
New Mexico	4.50	15.00
Oregon	30.00	30.00
Washington	5.25	5.25
Wyoming	6.00	6.00
<b>Average of Other States</b>	<b>\$ 9.93</b>	<b>\$ 10.58</b>
UTAH	6.00	6.00
<b>Difference</b>	<b>\$ 3.93</b>	<b>\$ 4.58</b>

Fee Source: N.A.D.A. Title & Registration Text Book—The Title and Registration Book of the National Automobile Dealers Association, 2002

Based on higher fees in other western states, Utah's title fees could be increased.

Utah's original title fee of \$6 is the same or lower than six of ten western states. Also, Utah's duplicate title fee of \$6 is the same or lower than seven of ten western states. With a moderate recommended increase of \$1.50 for all types of titles, Utah's title fee would still be below four of the ten western states, and significantly below the average of ten western states.

Therefore, an increase of all title fees by \$1.50 (from \$6 to \$7.50) and an increase of vehicle registration by \$1.50 would provide the revenues needed to replace the General Fund reductions made during the Fifth Special Session of 2002.

We chose \$1.50 in each category to simplify the model and because it represents a moderate increase in both areas, rather than significant increases in either fees or titles. Under this option, the DMV would be able to continue operations without an increase to the General Fund or the Transportation Fund. Because the increase in fee amounts would be enacted to help pay for the costs of collection, the revenue from the increase should be a dedicated credit to DMV, as opposed to being sent to the Transportation Fund and then allocated back to the DMV.

Although numerous other fee increase options exist, for the purposes of this report, we offer the model shown in Figure 6 as an example.

**Figure 6. The Legislature Could Increase Motor Vehicle Fees to Meet the \$3.7 Million Shortfall in the Division of Motor Vehicles.** Our comparisons in Figures 4 and 5 show that Utah could moderately raise selected motor vehicle fees and still remain comparable to other western states. (Note: Fee increases are merely suggested amounts calculated to roughly meet the needed funding amount.)

The Tax Commission could raise \$3.9 million by increasing vehicle registration fees and title fees by \$1.50 each.

Fee Increase	Applicable Unit	Totals (Fee x Unit)
Motor Vehicle Registration	FY 2003 Estimated "On Highway" Vehicles	
\$1.50	1,946,020	\$2,919,030
All Types of Titles	FY 2002 Actual Titles Issued (All Types)	
\$1.50	662,831	994,247
Estimated Total New Revenue		<u>\$ 3,913,277</u>

1. Includes original titles, duplicate titles, new lien titles and salvage titles.

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Utah Constitution  
and statutes may  
infer that cost  
recovery should  
come through the  
Transportation  
Fund.

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Earlier we mentioned that we did not include an additional \$1.3 million of indirect overhead cost attributed to the cost of collecting transportation -related fees and taxes at the Tax Commission. However, if registration fees were raised by \$2.10 (instead of the \$1.50 shown in Figure 6) total new revenue would increase to \$5 million. This increase could fund the overhead costs currently being met with General Funds.

### **Cost Recovery Could Come From Increased Transportation Funds**

According to legislative general counsel, **Utah Constitution**, Article XIII Section 13 provides that costs of collection and administration of the revenues going into the Transportation Fund may be taken from the Transportation Fund:

“The proceeds from the imposition of any license tax, registration fee, driver education tax, or other charge related to the operation of any motor vehicle upon any public highway in this State, and the proceeds from the imposition of any excise tax on gasoline or other liquid motor fuels used for propelling such vehicle, except for statutory refunds and adjustments allowed thereunder and *for costs of collection and administration*, shall be used exclusively for highway purposes . . . (emphasis added).”

The statutes also appear to provide support of the collection costs coming out of the Transportation Fund. **Utah Code 41-1a-1201(2)** states that “. . . all fees collected under this part [‘Part 12 Fee and Tax Requirements’] shall be deposited in the Transportation Fund.” Included in these deposited fees is motor vehicle registration and title fees. **Utah Code 41-1a-1201(5)** continues by stating that “. . . the expenses of the commission [Tax Commission] in enforcing and administering this part shall be provided for by legislative appropriation from the revenues of the Transportation Fund.”

Concerning transportation-related fuels, the Motor and Special Fuel Tax Act similarly provides that “. . . An appropriation from the Transportation Fund shall be made to the commission [Tax Commission] to cover expenses incurred in the administration and enforcement of the collection of the motor fuel tax, [the special fuel tax, and aviation fuel tax].” (See **Utah Code 59-13-201(5)(b)**, **59-13-301(7)(a)**, and **59-13-402(1)(b).**)



One aspect the Legislature may want to reconsider in connection with the Transportation Fund is something similar to the failed language from an early draft of Senate Bill 5003 presented in the 2002 Fifth Special Session. This language stated,

“An amount may be appropriated or transferred from the Transportation Fund to the State Tax Commission for collection costs not to exceed 2.5% of the total Transportation Fund Revenue collected by the State Tax Commission in the previous fiscal year.”

Legislation of this sort could recover costs from all of the component fees collected into the Transportation Fund. Currently, the transfer for cost recovery does not draw from many restricted accounts that were recently added to the Transportation Fund.

We called ten other western states for comparison and found a wide variety of funding models for motor vehicle services. Six of them rely on cost recovery from a transportation fund (or equivalent fund), or from retained collections. In Arizona, Oregon, and Washington—three of the six states—the registration fees are collected by the state motor vehicle agencies which are funded with transportation fund revenues. The other three of six states—California, Idaho, and Montana—fund their collections with retained portions of the registration fees, title fees, and other taxes collected, the remainder of which become state revenues.

### **Cost Recovery Could Come From Increased General Funds**

Increased cost recovery from the General Fund can be justified because the Legislature has historically funded costs of collecting transportation-related revenues from a mixture of General Funds, Transportation Funds, and dedicated credits. General Fund revenues have always been necessary because transfers from the Transportation Fund to the Tax Commission were legislatively capped at \$4.8 million in 1991. Over the years, as collection costs increased, General Fund revenues and dedicated credits funded increasingly greater portions of the costs, as shown in Figure 7.

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**Several other states pay for transportation-related fees and taxes through direct cost recovery or through their equivalent Transportation Funds.**

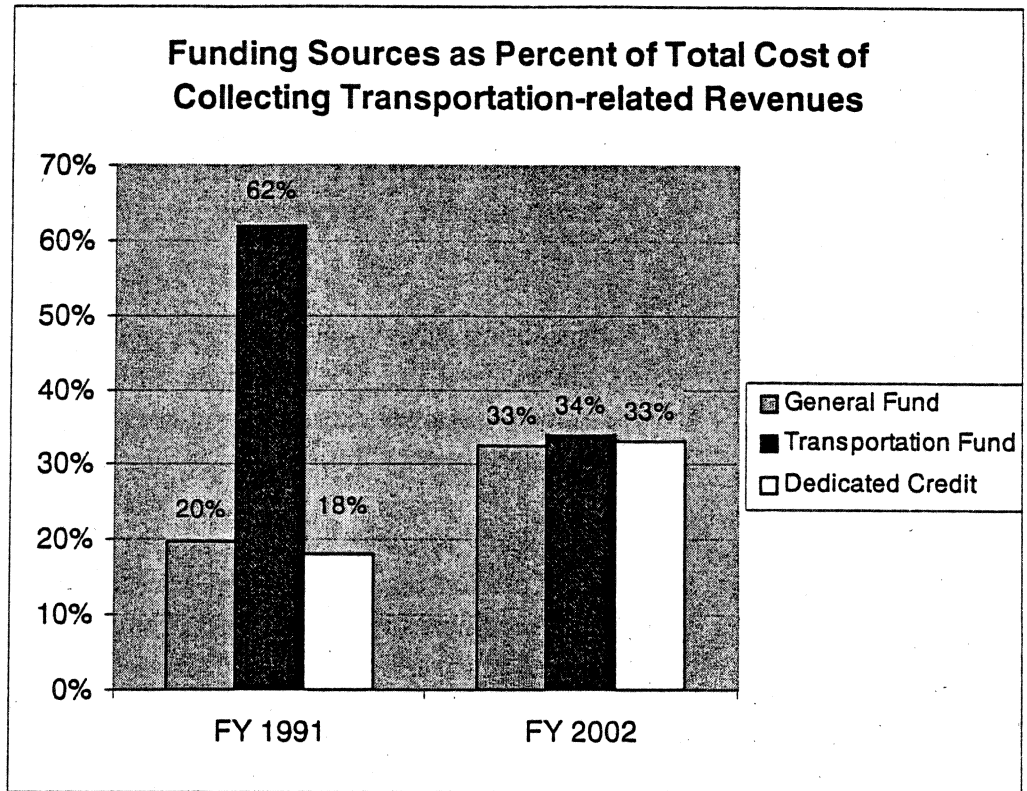
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**The General Fund contributed increasingly to cost recovery of collecting transportation-related revenues because the Transportation Fund was limited.**

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**Figure 7. As Costs of Collecting Transportation-related Revenues Increased There Was Greater Reliance on the General Fund Because of Limited Transportation Funds.**



In fiscal year 1991, estimated collection costs were approximately \$7.8 million with 20 percent (\$1.6 million) being funded from the General Fund. By comparison, in fiscal year 2002, collection costs were \$14.3 million with 33 percent (\$4.7 million) being funded from the General Fund.

The fact that the General Fund contributes significantly to the DMV operations and transportation-related tax collections at the Tax Commission has been understood, if not supported, by the Legislature. After all, DMV provides valuable and needed services to the general public and to local governments, as well as to insurance companies, the Department of Public Safety, and other organizations that benefit from vehicle registrations.

According to Utah Code 59-2-406(1), the collection of motor vehicle fees and taxes can be done, at the option of each county, by the Tax Commission or the county. Each county is allowed to have a DMV office which has been beneficial to county governments and to the vehicle

**Because DMV functions benefit the counties and several different state entities, the Legislature could use more General Funds for cost recovery.**

owners in each county. Also, having license plates on each vehicle has been critical to state and local law enforcement agencies statewide for identification, tracking and enforcement purposes. Because vehicle registrations and fee collections are so important to the public and to other agencies, and because the General Fund has historically supported the DMV operations, the Legislature could continue to provide some level of General Fund support for the DMV services.

### **Recommendation**

1. We recommend the Legislature consider one of the options presented to restore the funding shortfall to the Tax Commission (Division of Motor Vehicles) for the collection of transportation-related revenues.



# STATE OF UTAH

## UTAH STATE TAX COMMISSION

210 North 1950 West Salt Lake City, Utah 84134

Michael O. Leavitt  
Governor

Olene S. Walker  
Lieutenant Governor

Pam Hendrickson, Commission Chair  
R. Bruce Johnson, Commissioner  
Palmer DePaulis, Commissioner  
Marc B. Johnson, Commissioner  
Rodney G. Marrelli, Executive Director

November 7, 2002

Wayne L. Welsh  
Legislative Auditor General  
130 State Capitol  
Salt Lake City, Utah 84114-0151

Re: Legislative Auditor General Report 2002-07

Dear Wayne:

The Tax Commission appreciates the opportunity to respond to the Legislative Auditor General Report 2002-07 on the Collection of Transportation-Related Revenue. We support the findings and recommendations, and we appreciate the time and professionalism of your staff as they have conducted this audit.

*Our primary concern is that a remedy be found to restore the \$4 million in ongoing funding for costs directly associated with the collection of transportation-related fees and taxes. Funding of program costs with one-time monies during the Fifth Special Session of 2002 has left the Tax Commission with an ongoing funding shortfall. This issue is separate and distinct from the budget cuts that were imposed on all state agencies last year.*

In addition to the background that is provided in the audit report, it is important to note that during the July Special Session the Commerce and Revenue Appropriation Subcommittee recommended making a reduction in ongoing General Funds to the Tax Commission with a *replacement* of those funds from ongoing Transportation Funds. This was based on a list of "Items for Consideration" that was provided by the Fiscal Analyst's Office. The Analyst recommended "an increase in Transportation Funding of \$5,000,000 to replace General Funds."

The issue that lead to the above recommendations was related to a spending limitation imposed by the 1991 legislature on Transportation Fund appropriations (still found in Utah Code 72-2-103). Until the last special session, no funding adjustment has been made to the amount appropriated for the collection of Transportation Funds. Upon review of the limitations and other state statutes that indicated that Transportation collection costs could be paid from Transportation Funds, the Fiscal Analysts made the

recommendation noted above to address the absence of Transportation Fund increases over the past ten years.

Due to the limited time available to review the issue during the special session, a legislative audit was requested to identify the appropriate ongoing funding source(s) for the costs associated with the Transportation Fund related collection programs. At the close of that session, the \$5 million general fund reduction was replaced with a \$1 million ongoing Transportation Fund appropriation and a temporary solution of \$4 million in on-time general funds were used for the remaining balance.

While the audit finds that \$3.7 million in additional costs are directly attributable to the collection of Transportation Funds, the reduction made during the session was \$4.0 million. We would ask that the solution address the full amount of the reduction.

*The audit report provides for three funding options and the Tax Commission fully endorses each of the options as a viable solution to the budget shortfall. With all options, a mechanism is needed to provide the ability to exceed the existing spending limitation placed on Transportation Funds as it relates to collection costs. This includes funding for future transportation-related fiscal notes, funding to cover a proportional share of the state's compensation package costs, and funds to pay for other direct transportation-related cost increases.*

If not restored, the reduction in state funding of transportation-related costs is equal to 40% (\$4 million of current \$10 million in appropriated state funds). In the event that no option is approved nor any other remedy found, the state will face the unfortunate circumstance of requiring the Motor Vehicle Division to close offices. Closures would include offices presently in Ogden, Farmington, Provo and one Salt Lake Office. All Wasatch Front citizens will be required to conduct their motor vehicle related business in the one remaining Salt Lake office. Current staff levels in that office will remain the same though the workload would increase fivefold. Lines will grow dramatically and wait times will be drastically increased. Staff may not be able to handle the number of transactions coming to their counters each day. Other divisions within the Tax Commission would also be impacted with an on-going reduction of this magnitude. Fuel related audits would be reduced, processing efforts on Transportation workload would decline, and the maintenance of the motor vehicle system will be greatly reduced. Additional programs of the Tax Commission may also have to be reduced, resulting in reduced revenues to the other State funds.

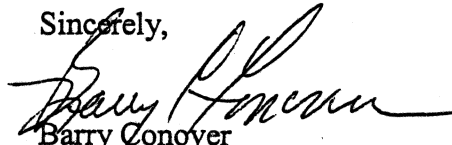
Based on Utah Code 59-2-406, if county officials are not satisfied with the impact of the above situation, they may elect to do motor vehicle registration work for the state

Wayne L. Welsh  
November 7, 2002  
Page 3

themselves and the state will be required to pay the counties for this work. If this happens, the funding of the motor vehicle functions will still have to be paid by the state, by whichever funding source(s) is then deemed appropriate for the Transportation-related collection activities.

The Tax Commission respectfully requests support of the Legislature to accept the recommendation of the Legislative Auditor General that one of the ongoing funding options be used to replace the one-time funding that was used during the Fifth Special Session.

Sincerely,



Barry Conover  
Deputy Executive Director

kd







Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Review**

Joint Appropriations Subcommittee for  
Commerce and Revenue

### **Workers Compensation Fund**

**Contents:**

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information



## 1.0 Workers Compensation Fund of Utah

### Summary

The Workers Compensation Fund (the Company) provides employers with low cost workers' compensation and employer liability insurance. All funding comes from premiums paid by policyholders. The Company receives no funding from the State except for premiums paid by the State as a policyholder. Premiums paid by the State accounted for \$5,336,637, or 2.97 percent and \$6,644,398 or 3.11 percent of total 2001 and 2002 premium respectively. Although this analysis concentrates on the administrative portion of the Company's budget, the success of the Company in meeting its statutorily created objectives is better evidenced by a review of the other key operating statistics.

The Legislature established the workers' compensation system in 1917. Employers have the option of obtaining workers' compensation coverage through the Company or another private carrier or self insuring (with the approval of the Industrial Commission). The Company insures over 29,000 Utah employers.

The Legislature has designated the Company as an independent, quasi-public corporation. In connection with this designation, the budgetary control was shifted from the Legislature to the Company's Board of Directors. The budget presented herein is for Legislative review and not for approval.

The Company no longer considers itself a component unit of the State of Utah and is accounted for as a proprietary fund. Statute indicates *that the State is not liable for the expenses, liabilities, or debts of the Workers' Compensation Fund, and may not use any assets of the Injury Fund for any purpose.* [UCA 31A-33-105(2)]

	CY 2002 Estimated	CY 2003 Budgeted	Difference
<b>Financing</b>			
GFR-Workers Comp.	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Programs</b>			
Administration	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Standard FTE</b>	325.00	345.00	20.00

**3.0 Programs: Workers Compensation Fund - Administration**

**Recommendation** No recommendation is needed. The budget is for review only.

	CY 1999 Actual	CY 2000 Actual	CY 2001 Actual	CY 2002 Estimated	CY 2003 Budgeted	Difference
<b>Financing</b>						
GFR-Workers Compensation Fund	\$32,344,500	\$37,660,400	\$37,969,300	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$32,344,500</u>	<u>\$37,660,400</u>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Programs</b>						
Administration	\$32,344,500	\$37,660,400	\$37,969,300	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$32,344,500</u>	<u>\$37,660,400</u>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Standard FTE</b>	341.00	335.00	359.00	346.00	311.00	(35.00)
<b>Expenditures</b>						
Personal Services	\$20,713,600	\$23,055,800	\$23,718,300	\$22,648,800	\$25,139,900	\$2,491,100
Travel	360,700	355,500	385,600	330,400	346,300	15,900
Current Expense*	7,802,800	10,633,400	10,889,300	16,025,300	19,991,600	3,966,300
Data Processing	3,467,400	3,615,700	2,976,100	3,766,500	2,875,200	(891,300)
<b>Total</b>	<u>\$32,344,500</u>	<u>\$37,660,400</u>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>% Change</b>		-6.5%	16.4%	9.1%	5.4%	
*Includes agent commissions of: \$3,173,207 \$5,274,000 \$8,131,358 \$14,266,000 \$15,780,000 \$1,514,000						
Agent commissions generally increase proportionately to premium revenue received. Increases in current expenses for 2002 and 2003 are primarily attributable to increased agent commission expenses resulting from projected increases in premium revenue.						

**Organizational  
Summary**

The Workers Compensation Fund is organized as follows:

**Administration** includes underwriting, accounting, financial analysis, budgeting, investments, human resources, and information systems.

**Claims** includes claims administration, medical management, special investigations third-party administration of self-funded entities, and oversees recoveries and reimbursements from third parties.

**Marketing and Underwriting** includes oversight of independent agents as well as internal marketing representatives, the Company's regional offices, customer service, loss prevention, review of policyholder risk for premium pricing, premium rate and rate adjustment filings, and policyholder dividend filings.

**Legal Services** adjudicates cases before the Labor Commission.

**Personnel Change**

The Company anticipates increasing its staff by 20 FTEs during 2003, primarily to accommodate the growth in its policyholder base.

## **Key Objectives**

Key objectives of the Company are to promote workplace safety, efficiently adjudicate claims, and enable appropriate care to injured workers while minimizing the cost to employers. The Company has been successful in achieving these objectives by investing in quality systems and personnel.

The Company's combined ratio (claims and operating expenses divided by earned premium revenue), after several years of increases, decreased to 113.9% for 2002, due primarily to tightening of policyholder rate discount eligibility. Several competitors have withdrawn from the Utah market since 1999 because their earned premium wouldn't support their claims and operating costs and their investment income was inadequate to compensate for their losses.

Although the Utah Insurance Department approved no standard rate increases for either 2001 or 2002, and approved a standard rate decrease for 2003, the Company is acting to improve its combined ratio by increasing premiums where justified and appropriate. For 2002, with the exception of commission expenses for anticipated new business gained through independent agents, the Company decreased operating costs in 2002. For 2003, operating costs are budgeted to increase due to growth in the Company's policyholder base, which in large part was due to absorbing policies from competitors that withdrew from the market.

## **Company Initiatives**

The Company has implemented the following initiatives aimed at lowering claims costs and premiums, and providing improved service to policyholders and injured workers:

- Increased the number and expertise of safety/loss control professionals to make such services readily available to policyholders.
- Established a medical case management and utilization review group with registered nurses to oversee medical treatment.
- Contracted with hospital and physician groups to provide medical care at discounted rates.
- Assisted employers in establishing drug and alcohol testing programs.
- Utilized vocational rehabilitation specialists to assist injured workers in returning to work.
- For 2003, additional positions will be hired to reduce per adjuster caseloads to 125.
- Utilized sophisticated software to track the effectiveness of various physicians and treatments.
- Aggressively investigating and assisting in the prosecution of policyholder, claimant and provider fraud. The Company's special investigations unit has saved nearly \$47 million since its inception in 1992.
- Established branch offices in Ogden and St. George to increase service in outlying areas.

- Hired Spanish-speaking adjusters and rehabilitation specialists to assist non-English speaking workers.

**Business Practices**

The Company has developed new products, services and delivery methods to better meet the needs of its customers.

The Company operates as a non-profit, mutual insurance company. Standard premium rates for the Company, and all other private carriers, are based on statistical data supplied to the National Council on Compensation Insurance, Inc. (NCCI), which makes premium rate recommendations to the Utah Insurance Department for their review and approval.

**Discounts and Rebates**

Programs that provide adjustments to standard rates may be granted by carriers with approval of the Utah Insurance Department. The Company offers a variety of adjustment programs that are dependent on historical or projected claims data. The Company may also return excess income to the policyholders in the form of dividends.

**History**

Originally, the Company operated as a division of the Department of Finance. In 1981, the Legislature reorganized the Company under the Department of Administrative Services. In 1988, the Legislature designated the Company as an enterprise fund, shifted the oversight of expenditures from the Legislature to the Governor, made the Company independent from direct State oversight, and established a Board of Directors and a Chief Executive Officer. In 2001, the State Division of Finance Department determined that the Company was no longer a component unit of the state and excluded it from the state of Utah's Comprehensive Annual Financial Report. The Governor appoints the seven-member board; current board members are listed below.

**Current Board**

Melvin C. Green -	Chairman, Founder and partner of Galbraith and Green (retired), Judd A. Turner - Insurance Broker, Fred A. Morton & Company
Vicki Varela -	Vice President, Public Policy, Kennecott Development Company
S. Camille Anthony -	Executive Director of Department of Administrative Services, State of Utah
Robert D. Myrick -	President & Chief Operating Officer of Morgan Stanley Dean Witter Bank
Howard E. Dransfield -	Senior Executive, Mobil Corporation (retired)
Lane A. Summerhays -	President and Chief Executive Officer of Workers Compensation Fund

**Statement of  
Operations**

Premium revenue declined in 1995, 1996, 1997 and 1998 as the benefit of overall cost reductions were passed on to policyholders, primarily through rate reductions, discounts, and dividends. Despite a standard rate decrease of 9.6% in 1999, and no recommended rate changes for 2000, 2001, or 2002, there were 0.7%, 23.0%, 16.3%, and 30.8 increases in earned premium during 1999, 2000, 2001, and 2002 respectively, due to new business, improved customer retention, and tightening of safety record adjustment discounts. For 2003, it is anticipated that earned premium revenue will increase 19%, due primarily to new business and further tightening of safety record adjustment discounts. The Company has maintained its market share of approximately 50% of the Utah insured market over the past 9 years.

Premium revenue is used to pay benefit expenses and administrative expenses. Benefit expenses declined from 1994 to 1999 due to the Company's successful loss control and medical management efforts but have increased during 2000, 2001, and 2003 due primarily to growth in insured risk, medical inflation, wage inflation, and increased claim severity.

The Company pays premium taxes to the State in accordance with Utah Code Annotated 31A-33-114 and 59-9-101. Premium taxes for 2000 and 2001 were \$10,526,000 and \$9,907,000, respectively.

The success of the Company's programs has strengthened its investment portfolio and increased investment income. In turn, policyholder equity has grown significantly since 1993 and remains strong even with current adverse economic conditions, which have affected market investment values. Because of the recent volatility of the investment market, the Company has further diversified its portfolio to protect investment income by investing in real estate and mortgage loans. Investment income is used to offset expenses and enable further premium reductions. Utah's workers compensation premiums are consistently ranked as some of the lowest in the nation.

In the past, the Company priced premium for policies based on standard rates submitted by NCCI and approved by the Utah Insurance Department. Policyholders whose claim experience was better than the actuarial projections, on which those standard rates were based, received a refund of excess premiums in the form of dividends. Between 1994 and 1999, the Company's Board of Directors approved dividends totaling \$130,522,000. The Company has adopted additional pricing strategies, including loss-sensitive accounts, where a minimum premium is charged to the policyholder and subsequent settlement of premium is made based on the policyholders' claim experiences. As a result, the year-end variance between premiums paid and policyholder experience is smaller and fewer dividends will be paid. Dividends for 2000, which were paid during 2001, totaled \$5,500,000, and dividends for 2001 paid during 2002 totaled \$2,750,000. Dividends for 2002, to be paid during 2003 are anticipated to be approximately \$2,750,000.

**Budget Authority  
Ceded**

The 2003 budget for the Company was approved by the Board of Directors on December 19, 2002, and is presented to the Governor and Legislature for information purposes. The 1990 Legislature allowed the Company to report its operating results on a calendar year rather than the State's fiscal year.

**Performance  
Measures**

<b>Year</b>	<b>Claims</b>	<b>Open Claims</b>	<b>Claim Payments in \$000</b>	<b>Avg. Rate Increase (Decrease)</b>
1992	41,767	20,218	\$83,897	17.9%
1993	38,157	15,501	78,362	19.5%
1994	35,139	12,447	75,494	8.4%
1995	31,165	9,870	63,339	-8.2%
1996	30,874	10,075	59,658	-10.1%
1997	29,822	9,627	58,694	-11.9%
1998	28,741	9,528	59,236	-16.3%
1999	30,044	10,560	62,714	9.6%
2000	33,041	11,272	72,747	0.0%
2001	32,915	10,884	81,950	0.0%



## 4.0 Tables

	<b>CY 2002 Actual</b>	<b>CY 2003 Estimated</b>	<b>CY 2004 Budgeted</b>	<b>Difference</b>
<b>Financing</b>				
GFR-Workers Comp.	\$37,660,400	\$41,075,500	\$43,279,700	\$2,204,200
<b>Total</b>	<u>\$37,660,400</u>	<u>\$41,075,500</u>	<u>\$43,279,700</u>	<u>\$2,204,200</u>
<b>Expenditures</b>				
Personal Services	23,055,800	23,974,600	23,349,900	(624,700)
Travel	355,500	380,900	398,100	17,200
Current Expense*	10,633,400	13,327,200	16,019,500	2,692,300
Data Processing	3,615,700	3,392,800	3,512,200	119,400
<b>Total</b>	<u>\$37,660,400</u>	<u>\$41,075,500</u>	<u>\$43,279,700</u>	<u>\$2,204,200</u>
% Change	16.4%	9.1%	5.4%	
<b>Standard FTE</b>	359.00	346.00	311.00	(35.00)
	\$5,274,000	\$8,631,000	\$12,325,000	\$3,694,000

Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Review**

Joint Appropriations Subcommittee for  
Commerce and Revenue

### **Workers Compensation Fund**

#### **Contents:**

- 1.0 Summary**
- 2.0 Issues**
- 3.0 Programs**
- 4.0 Additional Information**



## 1.0 Workers Compensation Fund of Utah

### Summary

The Workers Compensation Fund (the Company) provides employers with low cost workers' compensation and employer liability insurance. All funding comes from premiums paid by policyholders. The Company receives no funding from the State except for premiums paid by the State as a policyholder. Premiums paid by the State accounted for \$5,336,637, or 2.97 percent and \$6,644,398 or 3.11 percent of total 2001 and 2002 premium respectively. Although this analysis concentrates on the administrative portion of the Company's budget, the success of the Company in meeting its statutorily created objectives is better evidenced by a review of the other key operating statistics.

The Legislature established the workers' compensation system in 1917. Employers have the option of obtaining workers' compensation coverage through the Company or another private carrier or self insuring (with the approval of the Industrial Commission). The Company insures over 29,000 Utah employers.

The Legislature has designated the Company as an independent, quasi-public corporation. In connection with this designation, the budgetary control was shifted from the Legislature to the Company's Board of Directors. The budget presented herein is for Legislative review and not for approval.

The Company no longer considers itself a component unit of the State of Utah and is accounted for as a proprietary fund. Statute indicates *that the State is not liable for the expenses, liabilities, or debts of the Workers' Compensation Fund, and may not use any assets of the Injury Fund for any purpose.* [UCA 31A-33-105(2)]

	CY 2002 Estimated	CY 2003 Budgeted	Difference
<b>Financing</b>			
GFR-Workers Comp.	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Programs</b>			
Administration	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Standard FTE</b>	325.00	345.00	20.00

**3.0 Programs: Workers Compensation Fund - Administration**

**Recommendation** No recommendation is needed. The budget is for review only.

	CY 1999 Actual	CY 2000 Actual	CY 2001 Actual	CY 2002 Estimated	CY 2003 Budgeted	Difference
<b>Financing</b>						
GFR-Workers Compensation Fund	\$32,344,500	\$37,660,400	\$37,969,300	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$32,344,500</u>	<u>\$37,660,400</u>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Programs</b>						
Administration	\$32,344,500	\$37,660,400	\$37,969,300	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$32,344,500</u>	<u>\$37,660,400</u>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Standard FTE</b>	341.00	335.00	359.00	346.00	311.00	(35.00)
<b>Expenditures</b>						
Personal Services	\$20,713,600	\$23,055,800	\$23,718,300	\$22,648,800	\$25,139,900	\$2,491,100
Travel	360,700	355,500	385,600	330,400	346,300	15,900
Current Expense*	7,802,800	10,633,400	10,889,300	16,025,300	19,991,600	3,966,300
Data Processing	3,467,400	3,615,700	2,976,100	3,766,500	2,875,200	(891,300)
<b>Total</b>	<u>\$32,344,500</u>	<u>\$37,660,400</u>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>% Change</b>		-6.5%	16.4%	9.1%	5.4%	
*Includes agent commissions of: \$3,173,207 \$5,274,000 \$8,131,358 \$14,266,000 \$15,780,000 \$1,514,000						
Agent commissions generally increase proportionately to premium revenue received. Increases in current expenses for 2002 and 2003 are primarily attributable to increased agent commission expenses resulting from projected increases in premium revenue.						

**Organizational  
Summary**

The Workers Compensation Fund is organized as follows:

**Administration** includes underwriting, accounting, financial analysis, budgeting, investments, human resources, and information systems.

**Claims** includes claims administration, medical management, special investigations third-party administration of self-funded entities, and oversees recoveries and reimbursements from third parties.

**Marketing and Underwriting** includes oversight of independent agents as well as internal marketing representatives, the Company's regional offices, customer service, loss prevention, review of policyholder risk for premium pricing, premium rate and rate adjustment filings, and policyholder dividend filings.

**Legal Services** adjudicates cases before the Labor Commission.

**Personnel Change**

The Company anticipates increasing its staff by 20 FTEs during 2003, primarily to accommodate the growth in its policyholder base.

## **Key Objectives**

Key objectives of the Company are to promote workplace safety, efficiently adjudicate claims, and enable appropriate care to injured workers while minimizing the cost to employers. The Company has been successful in achieving these objectives by investing in quality systems and personnel.

The Company's combined ratio (claims and operating expenses divided by earned premium revenue), after several years of increases, decreased to 113.9% for 2002, due primarily to tightening of policyholder rate discount eligibility. Several competitors have withdrawn from the Utah market since 1999 because their earned premium wouldn't support their claims and operating costs and their investment income was inadequate to compensate for their losses.

Although the Utah Insurance Department approved no standard rate increases for either 2001 or 2002, and approved a standard rate decrease for 2003, the Company is acting to improve its combined ratio by increasing premiums where justified and appropriate. For 2002, with the exception of commission expenses for anticipated new business gained through independent agents, the Company decreased operating costs in 2002. For 2003, operating costs are budgeted to increase due to growth in the Company's policyholder base, which in large part was due to absorbing policies from competitors that withdrew from the market.

## **Company Initiatives**

The Company has implemented the following initiatives aimed at lowering claims costs and premiums, and providing improved service to policyholders and injured workers:

- Increased the number and expertise of safety/loss control professionals to make such services readily available to policyholders.
- Established a medical case management and utilization review group with registered nurses to oversee medical treatment.
- Contracted with hospital and physician groups to provide medical care at discounted rates.
- Assisted employers in establishing drug and alcohol testing programs.
- Utilized vocational rehabilitation specialists to assist injured workers in returning to work.
- For 2003, additional positions will be hired to reduce per adjuster caseloads to 125.
- Utilized sophisticated software to track the effectiveness of various physicians and treatments.
- Aggressively investigating and assisting in the prosecution of policyholder, claimant and provider fraud. The Company's special investigations unit has saved nearly \$47 million since its inception in 1992.
- Established branch offices in Ogden and St. George to increase service in outlying areas.

- Hired Spanish-speaking adjusters and rehabilitation specialists to assist non-English speaking workers.

**Business Practices**

The Company has developed new products, services and delivery methods to better meet the needs of its customers.

The Company operates as a non-profit, mutual insurance company. Standard premium rates for the Company, and all other private carriers, are based on statistical data supplied to the National Council on Compensation Insurance, Inc. (NCCI), which makes premium rate recommendations to the Utah Insurance Department for their review and approval.

**Discounts and Rebates**

Programs that provide adjustments to standard rates may be granted by carriers with approval of the Utah Insurance Department. The Company offers a variety of adjustment programs that are dependent on historical or projected claims data. The Company may also return excess income to the policyholders in the form of dividends.

**History**

Originally, the Company operated as a division of the Department of Finance. In 1981, the Legislature reorganized the Company under the Department of Administrative Services. In 1988, the Legislature designated the Company as an enterprise fund, shifted the oversight of expenditures from the Legislature to the Governor, made the Company independent from direct State oversight, and established a Board of Directors and a Chief Executive Officer. In 2001, the State Division of Finance Department determined that the Company was no longer a component unit of the state and excluded it from the state of Utah's Comprehensive Annual Financial Report. The Governor appoints the seven-member board; current board members are listed below.

**Current Board**

Melvin C. Green -	Chairman, Founder and partner of Galbraith and Green (retired), Judd A. Turner - Insurance Broker, Fred A. Morton & Company
Vicki Varela -	Vice President, Public Policy, Kennecott Development Company
S. Camille Anthony -	Executive Director of Department of Administrative Services, State of Utah
Robert D. Myrick -	President & Chief Operating Officer of Morgan Stanley Dean Witter Bank
Howard E. Dransfield -	Senior Executive, Mobil Corporation (retired)
Lane A. Summerhays -	President and Chief Executive Officer of Workers Compensation Fund

**Statement of  
Operations**

Premium revenue declined in 1995, 1996, 1997 and 1998 as the benefit of overall cost reductions were passed on to policyholders, primarily through rate reductions, discounts, and dividends. Despite a standard rate decrease of 9.6% in 1999, and no recommended rate changes for 2000, 2001, or 2002, there were 0.7%, 23.0%, 16.3%, and 30.8 increases in earned premium during 1999, 2000, 2001, and 2002 respectively, due to new business, improved customer retention, and tightening of safety record adjustment discounts. For 2003, it is anticipated that earned premium revenue will increase 19%, due primarily to new business and further tightening of safety record adjustment discounts. The Company has maintained its market share of approximately 50% of the Utah insured market over the past 9 years.

Premium revenue is used to pay benefit expenses and administrative expenses. Benefit expenses declined from 1994 to 1999 due to the Company's successful loss control and medical management efforts but have increased during 2000, 2001, and 2003 due primarily to growth in insured risk, medical inflation, wage inflation, and increased claim severity.

The Company pays premium taxes to the State in accordance with Utah Code Annotated 31A-33-114 and 59-9-101. Premium taxes for 2000 and 2001 were \$10,526,000 and \$9,907,000, respectively.

The success of the Company's programs has strengthened its investment portfolio and increased investment income. In turn, policyholder equity has grown significantly since 1993 and remains strong even with current adverse economic conditions, which have affected market investment values. Because of the recent volatility of the investment market, the Company has further diversified its portfolio to protect investment income by investing in real estate and mortgage loans. Investment income is used to offset expenses and enable further premium reductions. Utah's workers compensation premiums are consistently ranked as some of the lowest in the nation.

In the past, the Company priced premium for policies based on standard rates submitted by NCCI and approved by the Utah Insurance Department. Policyholders whose claim experience was better than the actuarial projections, on which those standard rates were based, received a refund of excess premiums in the form of dividends. Between 1994 and 1999, the Company's Board of Directors approved dividends totaling \$130,522,000. The Company has adopted additional pricing strategies, including loss-sensitive accounts, where a minimum premium is charged to the policyholder and subsequent settlement of premium is made based on the policyholders' claim experiences. As a result, the year-end variance between premiums paid and policyholder experience is smaller and fewer dividends will be paid. Dividends for 2000, which were paid during 2001, totaled \$5,500,000, and dividends for 2001 paid during 2002 totaled \$2,750,000. Dividends for 2002, to be paid during 2003 are anticipated to be approximately \$2,750,000.



**Budget Authority  
Ceded**

The 2003 budget for the Company was approved by the Board of Directors on December 19, 2002, and is presented to the Governor and Legislature for information purposes. The 1990 Legislature allowed the Company to report its operating results on a calendar year rather than the State's fiscal year.

**Performance  
Measures**

Year	Claims	Open Claims	Claim Payments in \$000	Avg. Rate Increase (Decrease)
1992	41,767	20,218	\$83,897	17.9%
1993	38,157	15,501	78,362	19.5%
1994	35,139	12,447	75,494	8.4%
1995	31,165	9,870	63,339	-8.2%
1996	30,874	10,075	59,658	-10.1%
1997	29,822	9,627	58,694	-11.9%
1998	28,741	9,528	59,236	-16.3%
1999	30,044	10,560	62,714	9.6%
2000	33,041	11,272	72,747	0.0%
2001	32,915	10,884	81,950	0.0%

## 4.0 Tables

	<b>CY 2001 Actual</b>	<b>CY 2002 Estimated</b>	<b>CY 2003 Budgeted</b>	<b>Difference</b>
<b>Financing</b>				
GFR-Workers Comp.	\$37,969,300	\$42,771,000	\$48,353,000	\$5,582,000
<b>Total</b>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
<b>Expenditures</b>				
Personal Services	23,718,300	22,648,800	25,139,900	2,491,100
Travel	385,600	330,400	346,300	15,900
Current Expense*	10,889,300	16,025,300	19,991,600	3,966,300
Data Processing	2,976,100	3,766,500	2,875,200	(891,300)
<b>Total</b>	<u>\$37,969,300</u>	<u>\$42,771,000</u>	<u>\$48,353,000</u>	<u>\$5,582,000</u>
% Change	16.4%	12.6%	13.1%	
<b>Standard FTE</b>	359.00	346.00	311.00	(35.00)
Commissions	\$8,131,358	\$14,266,000	\$15,780,000	\$1,514,000







Office of the  
Legislative Fiscal Analyst

## **FY 2004 Budget Recommendations**

Joint Appropriations Subcommittee for  
Commerce and Revenue

**Utah College of Applied Technology**

Contents:

- 1.0 Summary
- 2.0 Issues
- 3.0 Programs
- 4.0 Additional Information

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## **1.0 Summary: Utah College of Applied Technology**

In the Special Legislative Session on June 20, 2001, the Legislature passed House Bill 1003, "Applied Technology Governance." With the passage of this bill, the Utah College of Applied Technology (UCAT) was established September 1, 2001 and become the tenth higher education institution. UCAT is comprised of ten regional technology colleges (ATCs) located throughout the state.

In creating UCAT, the Legislature moved five Applied Technology Centers and three Applied Technology Center Service Regions (ATCSR) from the governance of the State Board of Education to the Utah System of Higher Education. The former Wasatch Front Applied Technology Center underwent a name change to the Salt Lake-Tooele Applied Technology College. The Southwest ATCSR was divided into two colleges, the Southwest and Dixie Applied Technology Colleges. The tenth technical college, the Central Applied Technology College is located in Richfield in the same facility as Snow College South. All assets associated with each Applied Technology Center and Applied Technology Center Service Region were transferred to the respective colleges with the Southwest's funding being allocated between the Southwest and Dixie Technology Colleges. The Central Applied Technology College received their funding from the Snow College South-Secondary line item.

The mission of UCAT is to provide applied technology education (ATE) for both adult and high school students to meet the social and economic needs of the state efficiently and effectively, through collaborative partnerships between the educational systems, and business and industry. UCAT is to offer quality educational programs and innovative delivery systems to ensure a skilled and educated workforce. ATE programs by the delivering institutions offer open-entry/open-exit, high quality, competency based training for secondary and adult students including certificates of completion, associate of applied technology degrees, and competency based high school diplomas. UCAT provides training of over 6.3 million membership hours.

In its first year of operation, UCAT accomplished many things. The State Board of Regents approved three Associate of Applied Technology Degrees (AAT): Computer Aided Drafting and Design; Information Technology; and Medical Assisting. In addition, UCAT is moving forward in the accreditation process with the Northwest Association of Colleges and Schools and the Council on Occupational Education. Accreditation will allow the students enrolled in UCAT to participate in financial aid and provide for smoother articulation with other institutions of the Utah System of Higher Education. Public education and UCAT jointly prepared a matrix of applied technology courses and program offerings with a common numbering system. This matrix will assist the regions in determining the most efficient method of providing applied technology education and eliminate duplication of programs.

The ten technical colleges located throughout the State are unique and distinctly different. Below is a brief paragraph for each campus:



***Bridgerland*** – Bridgerland has three campuses located in Logan, Brigham City and Rich County generating about 1.3 million membership hours. As of FY 2002, the enrollments consist of 64 percent adults and 36 percent secondary students from four school districts. They offer a full array of courses in business, information technology, health sciences, public safety, and technical trades such as diesel mechanics, architectural drafting cabinetmaking, carpentry, computer graphics design, and professional truck driving. Bridgerland offers all three of the associated of applied technology degrees that were approved last fall.

***Central*** – Central shares a facility with the Snow College Campus located in Richfield. They generate approximately 240,500 membership hours, which is comprised of 32 percent adults and 68 percent secondary students from eight school districts. They provide training in business, information technology, health sciences and technical trades. Not only does Central Applied Technology College share space with Snow College - Richfield, they also share the administrative functions such as student services, instructional services and financial aid. Central also provides two of the three, associate of applied technology degrees.

***Davis*** – Davis is located in Kaysville with about 1.4 million membership hours being generated, with 57 percent adults and 43 percent secondary students from two school districts. They offer a wide range of courses in business, information technology, health sciences, and technical trades including National training partnerships with MACK and Volvo heavy truck divisions. Davis works cooperatively with Weber State University to offer associate degrees in Nursing and Diesel Technology. In addition, Davis provides space for 10 full time faculty from Davis School District providing English as a Second Language and Adult Education programs. They also offer all three of the associated of applied technology degrees that were approved last fall.

***Dixie*** – With the creation of UCAT, Dixie was split off from the Southwest Applied Technology Service Region to form the Dixie Campus. They lease space from Dixie State College (DSC) in St. George. Secondary students represent 97 percent of the 82,200 membership hours. DSC provides fiscal and support services for the Dixie ATC such as budget and accounting functions, payroll, human resource management, career center advising, motor pool, and library and bookstore access. In addition, Dixie ATC has a close partnership with DSC to utilize the Dental Hygiene Clinic for Dental Assisting, and to allow articulation into the Dental Hygiene Program. Another creative partnership is between the Southwest Applied Technology College and Dixie to share facilities, faculty and equipment for various applied technology programs such as professional truck driving. This allows each campus to efficiently provide programs at both campuses without duplicating the resources. Dixie ATC provides programs in business, information technology, health sciences, and building trades. Since the Dixie ATC was a newly formed entity with the UCAT legislation, they had to create all administrative and support service systems as well as appoint Regional Board and Advisory Committee Members in the first year. It is anticipated that the adult students served will increase in the next fiscal year because of new programs implemented this year such as healthcare programs in partnership with the new hospital in St. George and building trades programs in cooperation with the Southern Utah Home Builders Association.

***Mountainland*** – Mountainland is located in Orem with several campuses and educational centers located throughout the region to cover the seven school districts they serve. Enrollments for FY 2002, was 465,100 membership hours with 86 percent being high school students. Over the last six years, Mountainland has experienced the largest increase in membership hours, averaging 15.31 percent compared to the system-wide

average of 8.16 percent See Appendix A Table 4). UVSC serves as the fiscal agent and also leases the main campus in Orem to Mountainland. They also share the dental lab located at Mountainland with UVSC for dental assisting (MATC) and dental hygiene (UVSC) students, eliminating the need for space and equipment for both programs. They successfully entered into a partnership with the Alpine School District to relocate the Automotive Technology curriculum including the equipment and faculty from American Fork High School to Mountainland in order to serve high school students from several high schools rather than one. In August of 2003, they will co-share space with UVSC at the new Wasatch Campus, located in Heber Valley. Wasatch High School will transfer their automotive department to that facility so they can serve students from Wasatch, North and South Summit, and Park City. They offer courses in health care sciences, business, information technology, and the technical trades.

**Ogden-Weber** – Ogden-Weber located in Ogden serves the largest number of students in UCAT generating about 1.6 million membership hours. Of the students enrolled at Ogden-Weber, 75 percent are adults. They offer a variety of courses in business, information technology, health sciences, and technical trades including one of the largest apprenticeship programs in UCAT. Weber State University and Ogden-Weber have a memorandum of agreement that Licensed Practical Nursing students from Ogden-Weber can articulate in WSU's Registered Nursing Program. Ogden-Weber also offers all three of the associated of applied technology degrees that were approved last fall.

**Salt Lake-Tooele** – Salt Lake-Tooele has four sites with three in the Salt Lake Valley and one in Tooele. They generate about 174,000 membership hours with 87 percent being high school students from five school districts. Until this year, Salt Lake-Tooele did not have a permanent home, but has since entered into lease agreements with Granite School District, two privately owned businesses and the Department of Workforce Services (DWS). The shared space with the Department of Workforce Services is an innovative way to connect two entities with interrelated missions. The Department of Workforce Mission states, "DWS is Utah's Job Connection. It is a consolidation of all employment related functions into a comprehensive service delivery system. Now job seeker and employer customers can access the services they need without the confusion and burden of working with multiple agencies." With the partnership with Salt Lake-Tooele Applied Technology College, the job seekers can be tested, assessed and trained for employment. In addition, one of the spaces leased from a private entity is with the West Valley Truck Center allowing Salt Lake-Tooele to train students in diesel mechanics without the expense of building a facility and procuring expensive equipment.

**Southeast** – Southeast trains the equivalent of around 140,200 membership hours with 50 percent being adults and 50 percent being secondary students with centers located in Price, Moab, Blanding and Castle Dale. While Southeast is one of the smallest technical colleges it has the challenge of serving the largest geographic area (17,000 square miles) of rural Utah. In order to be successful, Southeast has entered into partnerships with the Department of Workforce Services, The Department of Vocational Rehabilitation, the Ute Indian Tribe, the College of Eastern Utah and the four school districts it serves. For example, CEU acts as their fiscal agent providing support services for budget and accounting functions. Southeast offers training in computer and information technology, certified nursing aide, building trades, truck driving and heavy-duty equipment operation. In addition, the second largest program offered by Southeast is the ASE automotive technician offered in Emery High School with a total student body of 600 students, 180 of which are enrolled in the program.

**Southwest** – Southwest is located in Cedar City with membership hours of about 309,700. Of the students trained, 63 percent are adults and 37 percent are secondary from four school districts. Southwest shares a facility with the Southwest Education Academy, which is a center for at risk students. This partnership allows an adult or high school student access to both vocational and developmental courses to upgrade their skills. Iron County School District is the fiscal agent for this campus. They provide programs in business, information technology, health sciences, technical trades, and swine management. A creative partnership between the Dixie Applied Technology College and Southwest was established to share facilities, faculty and equipment such as professional truck driving. This allows each campus to efficiently provide programs at both campuses without duplicating the resources.

**Uintah Basin** – Uintah Basin is located in Roosevelt with plans to establish another campus in Vernal in partnership with USU. Uintah Basin currently generating approximately 570,400 membership hours with 51 percent being adults and 49 percent being secondary students from three school districts. They serve about 25 percent of their total population of secondary and adult work force population, which is the largest percentage served per population for UCAT (See Appendix A Table 3). They offer programs in business, information technology, technical trades, and allied health. One of the programs at Uintah Basin is the CDL Truck Driver Training where they utilize a driving simulator in conjunction with the two on road trucks. This high-tech simulator is one of about two in the Western States, which eliminates the need for Uintah Basin to purchase an additional vehicle. Another unique information technology program is the ORACLE Academy conducted in partnership with Uintah River Technologies, a company owned by the Ute Indian Tribe. In addition, they have partnership with WSU to offer associate degrees in nursing. Uintah Basin also was approved last fall to offer three associate of applied technology degrees.

## Financial Information

In FY 2003, the Legislature appropriated \$41,267,500 to operate the Utah College of Applied Technology (UCAT) for fiscal year 2003. Of this amount, \$37,909,500 was appropriated from State tax revenues. This represents a \$3,908,600 (or 10.31 percent) decrease from the FY 2002 appropriation of \$41,818,100 from State tax dollars.

During the 2002 General Session, the Utah College of Applied Technology experienced budget reductions in State funds of \$2,455,000. However, because of Utah's continued economic downturn the Legislature further reduced the budget for UCAT by \$214,100 in the Fifth Special Session. In the Sixth Special Session, UCAT received additional cuts of \$728,500. To offset the reductions, the Legislature provided a one-time restoration of \$303,500 for a net budget reduction of \$425,000. Tied to the one-time budget restoration, the Legislature passed House Bill 6006, "Budget Reallocation Authority," allowing the flexibility to reallocate the funding between line items within UCAT. The total budget cuts for FY 2003 are \$3,094,100.

In addition, \$4,000,000 of one-time funding was appropriated to the State Board of Regents- Administration line item. Legislative Intent Language was included in House Bill 6001 allowing the State Board of Regents to distribute \$4,000,000 of the one-time restoration to institutions of Higher Education including the Utah College of Applied Technology and the Utah Education Network based on the following criteria:

1. The mission of the institution;
2. The impact of budget cuts on students; and,
3. The need identified by the institutions.

The following table shows the budget reductions for FY 2003 for UCAT and the base reduction for FY 2004:

<b>FY 2003 Budget Reductions for UCAT</b>	
FY 2002 Ongoing Budget Reduction	(\$2,055,000)
<b>FY 2003 Budget Reductions</b>	
2002 General Session	(\$400,000)
5th Special Session	(214,100)
6th Special Session	(728,500)
One-time Add Back 6th Special Session	303,500
<b>Total FY 2003 Budget Reduction</b>	<b>(\$1,039,100)</b>
<b>Total Budget Reductions Carried Forward in FY 2004</b>	<b>(\$3,397,600)</b>

Any changes in the reallocation of funding will be included in a supplemental appropriation.

The FY 2004 base budget for the Utah College of Applied Technology is \$43,510,700. This is a decrease of \$640,900 (less: FY 2003 one-time add-back of \$303,500 and adjustments in non-lapsing balances of \$337,400) below the FY 2003 estimated budget of \$44,151,600. The 2004, base budget includes \$37,606,000 from State resources.

The following table summarizes the FY 2004 base budget for the Utah College of Applied Technology along with the plan of financing:

	<b>Analyst FY 2004 Base</b>	<b>Analyst FY 2004 Changes</b>	<b>Analyst FY 2004 Total</b>
<b>Financing</b>			
General Fund	37,606,000		37,606,000
Federal Funds	175,000		175,000
Dedicated Credits	4,577,700		4,577,700
Transfers	657,700		657,700
<b>Total</b>	<b>\$43,510,700</b>	<b>\$0</b>	<b>\$43,510,700</b>
<b>Programs</b>			
Administration	5,858,900		5,858,900
Bridgerland ATC	7,771,900		7,771,900
Central ATC	2,523,100		2,523,100
Davis ATC	7,794,600		7,794,600
Dixie ATC	714,300		714,300
Mountainlands ATC	2,002,100		2,002,100
Ogden/Weber ATC	8,676,600		8,676,600
Salt Lake/Tooele ATC	1,858,200		1,858,200
Southeast ATC	878,900		878,900
Southwest ATC	1,591,400		1,591,400
Uintah Basin ATC	3,840,700		3,840,700
<b>Total</b>	<b>\$43,510,700</b>	<b>\$0</b>	<b>\$43,510,700</b>

## **2.0 Issues: Utah College of Applied Technology**

### **2.10 Utah College of Applied Technology Base Adjustments**

#### **2.11 Internal Service Fund Adjustments - \$71,900**

**The Analyst recommends a change in the base for Internal Service Fund adjustments of \$71,900.** This figure includes an increase for Risk Management of \$71,200 and for Fleet Management of \$700 for FY 2004 subject to funding.

#### **2.12 Transfer of Development Funding to Base Budgets - \$1,546,900**

**The Analyst recommends that the Development Funding of \$1,546,900 appropriated to the UCAT Administration line item be reallocated to the base budgets of each technical college to offset budget reductions.**

### **2.20 Compensation**

Money for employee salary and benefit increases is not reflected in these figures. If funds are set aside for the compensation package by the Executive Appropriations Committee (EAC), the Analyst will allocate the funding to each institution.

### **2.21 Health and Dental Insurance**

The Executive Appropriations Committee also determines the allocation for health and dental premium rate increases. In FY 2004, the projected rate increases based on PEHP rates for UCAT will be \$300,400. Health and dental insurance rates have increase dramatically over the last several years, particularly relating to prescription cost. **If funding is set aside by EAC for health and dental rate increases, the Analyst will distribute the funding to each campus.**

#### **2.22 Retirement Rate Adjustment - \$511,400**

**The Analyst recommends an adjustment of \$511,400 for retirement rate contributions based on actuarial analysis of changes in the retirement rates subject to availability of funding.** Based on the change in the retirement rate for contributory and non-contributory, the base increase for FY 2003 is \$511,400 for retirement rate benefits.

### **2.30 Utah College of Applied Technology Incremental Programmatic Funding Recommendations**

#### **2.31 Funding for Administrative Costs at UCAT - Administration- \$200,000**

**The Analyst recommends ongoing funding of \$200,000 for administrative costs including personnel for the UCAT Central Office subject to availability of funding.**

### **2.32 Enrollment Growth - \$4,346,400**

**The Analyst recommends, if additional funding becomes available, an appropriation of \$4,346,400 State funds in FY 2004 for enrollment growth.** The enrollment growth is based on 1,020,129 Membership Hours, which represents a 20.07 percent increase system-wide. Enrollment for UCAT system-wide is still growing and long-term projections indicate that growth will continue into the foreseeable future

### **2.33 Administrative Costs for Dixie Applied Technology College - \$100,000**

**The Analyst recommends, if additional funding becomes available, an appropriation of \$100,000 in State funds for the administrative costs at Dixie Applied Technology College.** With the creation of the Utah College of Applied Technology, the Southwest Applied Technology Center Service Region was split into two regional technology campuses, the Southwest and Dixie Applied Technology Colleges (DIXATC). Although, the funding was split between the two regions, Dixie needs some additional administrative money to cover operating costs. In the 2002 General Session, the Legislature transferred \$75,000 from the UCAT – Administration line item to assist DIXATC with operating expenses. The remaining amount needed to cover the operating costs is \$100,000.

### **2.34 Americans with Disabilities (ADA) - \$67,800**

**The Analyst recommends funding of \$67,800 in State funds for ADA if additional funding becomes available.** The Americans with Disabilities Act is designed to remove obstructions that prevent disabled persons from full participation in activities that are available to the general public. As student enrollments increase, the number of disabled students participating in college life also increases.

### **2.35 Operation and Maintenance of Facilities - \$72,000**

**The Analyst recommends \$72,000 in State funds for operation and maintenance of facilities if additional funding becomes available.** It has been the practice of the Legislature to view Operation and Maintenance (O&M) of facilities as an obligation of the State when the Legislature has approved both the construction of the facility and the payment of the O&M from State tax funds.

### **2.36 Lease Funding for Salt Lake-Tooele Applied Technology College - \$510,000**

**If additional funding becomes available, the Analyst recommends \$510,000 in State funds for lease agreements.** The Salt Lake-Tooele Applied Technology College (SLTATC) does not own any property. Thus, funding for leases is of highest priority for the college. For most instructional courses, the college utilizes classroom space made available by the five local school districts and industry.

## **2.40 System-wide Initiatives**

### **2.41 Custom Fit - \$500,000**

**The Analyst recommends, if additional funding is available, an appropriation of \$500,000 in State funds for FY 2004 for Custom Fit.** Through the Custom Fit Training Programs, training is developed for Utah employers tailored to specifically meet their needs. The Program is also designed to attract new businesses, and aid in the retention and expansion of existing businesses. Custom Fit offers a diversity of services for business and industry, which in turn stimulates the economy.

### **2.42 Utah Academic Library Consortium - \$50,000**

**The Analyst recommends, if additional funding is available, an appropriation of \$50,000 in State funds to the UALC.** UCAT is in the process of working on accreditation so they can offer Associate of Applied Technology Degrees. A critical component for accreditation is the need for access to libraries for UCAT institutions. The UALC currently evaluates the library needs of the USHE institutions. Additional funding would allow the UCAT institutions to become a member of the UALC.

## **2.50 One-time Funding Recommendations**

### **2.51 Management Information System (MIS) - \$800,000**

The Utah System of Higher Education is in the process of implementing a new Management Information System. The new Banner system will be up and running July 1, 2002. The University of Utah converted several years ago to People Soft and Salt Lake Community College already underwent the conversion to Banner last fiscal year. UCAT can utilize that system for most functions except student data. However, it appears there is no consistency between the technical colleges relating to data collection and reporting. **The Analyst recommends funding this project with the ongoing equipment funding in the UCAT Administration Equipment base over a three-year period. This suggests that the MIS system is a higher priority than the replacement of instructional equipment.**

## **3.0 Utah College of Applied Technology Recommendations for FY 2004**

In FY 2003, the Legislature appropriated \$41,267,500 to operate the Utah College of Applied Technology (UCAT) for fiscal year 2003. Of this amount, \$37,909,500 was appropriated from State tax revenues. This represents a \$3,908,600 (or 10.31 percent) decrease from the FY 2002 appropriation of \$41,818,100 from State tax dollars.

During the 2002 General Session, the Utah College of Applied Technology experienced budget reductions in State funds of \$2,455,000. However, because of Utah's continued economic situation the Legislature further reduced the budget for UCAT by \$214,100 in the Fifth Special Session. In the Sixth Special Session, UCAT received additional cuts of \$728,500. To offset the reductions, the Legislature provided a one-time restoration of \$303,500 for a net budget reduction of \$425,000. Tied to the one-time budget restoration, the Legislature passed House Bill 6006, "Budget Reallocation Authority," allowing the flexibility to reallocate the funding between line items within UCAT. The total budget cuts for FY 2003 are \$3,094,100.

In addition, \$4,000,000 of one-time funding was appropriated to the State Board of Regents- Administration line item. Legislative Intent Language was included in House Bill 6001 allowing the State Board of Regents to distribute \$4,000,000 of the one-time restoration to institutions of Higher Education including the Utah College of Applied Technology and the Utah Education Network based on the following criteria:

1. The mission of the institution;
2. The impact of budget cuts on students; and,
3. The need identified by the institutions.

Any changes in the reallocation of funding will be included in a supplemental appropriation.

The FY 2004 base budget for the Utah College of Applied Technology is \$43,510,700. This is a decrease of \$640,900 (less: FY 2003 one-time add-back of \$303,500 and adjustments in non-lapsing balances of \$337,400) below the FY 2003 estimated budget of \$44,151,600. The 2004, base budget includes \$37,606,000 from State resources.

### 3.10 Utah College of Applied Technology Base Adjustments

#### 3.11 Internal Service Fund Adjustments - \$71,900

The internal service fund adjustments for FY 2004, of \$71,900 include \$71,200 for Risk Management and \$700 for Fleet Management. These adjustments in property and liability insurance premiums and motor pool service rates are pass through from the Department of Administrative Services to each state entity. **Because of the current economic, situation, the Analyst recommends the internal service fund costs be absorbed in the existing budgets of each technical college.** The following table illustrates the FY 2004 allocation to the UCAT:

FY 2004 Internal Service Fund Adjustments			
	Risk Management	Motor Pool	Total
Bridgerland	\$15,700		\$15,700
Central	2,300		2,300
Davis	14,500		14,500
Dixie	1,800		1,800
Mountainland	3,500		3,500
Ogden-Weber	18,300	2,600	20,900
Salt Lake-Tooele	3,600		3,600
Southeast	1,600		1,600
Southwest	2,200	300	2,500
Uintah Basin	7,700	(2,200)	5,500
	<u>\$71,200</u>	<u>\$700</u>	<u>\$71,900</u>

#### 3.12 Transfer of Development Funding to Base Budgets - \$1,546,900

About a decade ago, the Legislature appropriated Development Funding to the Applied Technology Centers. The criteria was initially set aside for distribution of the monies each year based on enrollments, enrollment growth, competency and placement. **The Analyst recommends that the Development Funding in the amount of \$1,546,900 be allocated to the base budgets of each technical college to offset budget reductions.** The following table shows the distribution of the Development funds:



Allocation of Development Funding	
UCAT-Development	(1,546,900)
Bridgerland	266,900
Central	56,400
Davis	268,200
Dixie	68,900
Mountainland	150,900
Ogden-Weber	353,400
Salt Lake-Tooele	104,800
Southeast	68,800
Southwest	68,900
Uintah Basin	139,700
<b>Total</b>	<b>0</b>

### 3.20 Compensation

A compensation recommendation for FY 2004 is not included in the Analyst's budget figures for the Utah College of Applied Technology. The Executive Appropriation Committee will determine the compensation package if additional funds are set aside. A one percent compensation increase costs \$264,700. When the Executive Appropriation Committee makes the final decision regarding compensation, the Legislative Fiscal Analyst will allocate funds to the appropriate colleges.

### 3.21 Health and Dental Insurance - \$300,400

**The Analyst recommends an appropriation of \$300,400 in State funding for FY 2004 for health and dental rate increases.** Health and dental insurance rates have increased dramatically over the last several years, particularly relating to prescription costs. The recommendation for FY 2004 health and dental premium rate increases is not included in the Analyst's budget figures for the Utah College of Applied Technology. The final compensation package will be determined later in the session by the Executive Appropriation Committee if additional funds become available. Although exact health insurance rates for each UCAT institutions are not known at this time, the Analyst used the PEHP proposed rate adjustments as a guide for estimating a health insurance cost increase for the budget. The proposed rate change includes an 8.05 percent increase for health insurance premiums and an 8.50 percent increase for dental insurance premiums at a total cost in State funding of \$300,400. If Executive Appropriation approves health and dental increases, the Analyst will distribute the funds to the colleges. The following table shows the distribution of the health and dental rate increases:

UCAT Health and Dental Premium Increases			
	Health	Dental	Total
UCAT - Administration	\$1,400	\$200	\$1,600
Bridgerland	69,000	6,700	75,700
Central	29,000	0	29,000
Davis	49,500	5,300	54,800
Dixie	800	100	900
Mountainland	16,000	1,500	17,500
Ogden-Weber	49,900	7,400	57,300
Salt Lake-Tooele	8,600	100	8,700
Southeast	8,700	700	9,400
Southwest	7,800	600	8,400
Uintah Basin	32,800	4,300	37,100
Total	\$273,500	\$26,900	\$300,400

### 3.22 Retirement Rate Adjustments - \$511,400

**The Analyst recommends an adjustment of \$511,400 for retirement rate contributions based on actuarial analysis of changes in the retirement rate adjustments to maintain the retirement programs on a financially and actuarially sound basis.** The recommended retirement rate for FY 2004 is 13.21 percent for contributory and 13.20 percent for non-contributory. Based on the change in the retirement rate for contributory of 1.34 percent and 2.84 percent for non-contributory over the FY 2003 rate, the base increase is \$511,400 for retirement rate benefits. If Executive Appropriation approves the retirement rate increase, the Analyst will distribute the funds to the colleges as indicated in the following table:

UCAT Retirement Rate Increase	
Bridgerland	\$111,900
Central	17,400
Davis	119,600
Dixie	2,700
Mountainland	4,600
Ogden-Weber	134,500
Salt Lake-Tooele	24,800
Southeast	5,800
Southwest	18,000
Uintah Basin	72,100
	<u>\$511,400</u>

### 3.30 Utah College of Applied Technology Incremental Programmatic Funding Recommendations

#### 3.31 Funding of Administrative Costs for the UCAT – Administration - \$200,000

The Board of Regents has been providing support staff for UCAT for financial and budgetary support. The Regents already have a limited staff, and with the addition of UCAT, the workload has become impossible for the staff to complete all the work in a timely manner. For example, by December the analyst is asked to compute retirement, health, and dental rate increases, and the mandated requests for leadership. The S-10 (compensation) report was still not available and the budget request was not received until January 7. As of mid-January, many reports to complete the budget process are still not available such as the A-1s (actuals for FY 2002 and estimated budgets for FY 2003), and the R-1s (tuition report). The need for additional employees in the area of finance and budget is critical for UCAT.

The Analyst recommends two scenarios to enable UCAT to hire two additional staff members and use the remaining monies for contracting audits of UCAT operations such as membership hours. The first recommendation of the Analyst is that each technical college pays administrative overhead costs to the UCAT Administration to help cover the operating expenses. The recommendation is that the allocation be made from the Development Funding before distribution to the technical colleges. The following table illustrates the allocation:

Distribution of Development Funding and Administrative Overhead			
	Distribution of Development Funds	Administrative Overhead Allocation	Net Development Funds Distribution
UCAT - Administration		\$200,000	\$200,000
UCAT-Development	(1,546,900)		(1,546,900)
Bridgerland	266,900	(34,500)	232,400
Central	56,400	(7,300)	49,100
Davis	268,200	(34,700)	233,500
Dixie	68,900	(8,900)	60,000
Mountainland	150,900	(19,500)	131,400
Ogden-Weber	353,400	(45,700)	307,700
Salt Lake-Tooele	104,800	(13,500)	91,300
Southeast	68,800	(8,900)	59,900
Southwest	68,900	(8,900)	60,000
Uintah Basin	139,700	(18,100)	121,600
Total	\$0	\$0	\$0

The alternate recommendation is that the budget and accounting functions such as payroll, purchasing, and accounts payable be centralized at the UCAT office. Currently, only five technical campuses have accounting and budgeting staff (Bridgerland, Davis, Ogden-Weber, Salt Lake-Tooele and Uintah Basin) and the remaining five campuses have either another higher education institution or a school district act as their fiscal agent. This would require the five technical colleges to downsize their staff to a business manager and an accounting tech, and transfer \$40,000 each to the UCAT – Administration line item to hire personnel.

**The Analyst's prefers option two because UCAT is one college with ten branch campuses and centralization of accounting and budgeting functions is appropriate.** In addition, the five technical colleges have four to six months to collapse their budget and accounting functions, and hire an accounting tech and a financial manager. Uintah Basin recently had their accountant resign, which puts them in a good position to move forward with this recommendation. The accountants from Ogden-Weber, Salt Lake-Tooele and Davis could easily transfer to the main office leaving only one accountant that would have to be let go. A transfer of \$40,000 from each campus is conservative; implementation of this recommendation will create additional savings to the five campuses.

**The Analyst further recommends the following intent language be included to ensure timeliness of receipt of reports by the Legislative Fiscal Analyst Office for budget preparation:**

*It is the intent of the Legislature that UCAT complete and submit all financial reports (i.e. A-1's, R-1's, S-10's, etc.) to the Office of the Legislative Fiscal Analyst by November 1 of each fiscal year. It is further the intent of the Legislature that the approved consolidated budget request from the UCAT Board of Trustees be submitted to the Office of the Legislative Fiscal Analyst by November 1 of each fiscal year.*

### **3.32 Enrollment Growth - \$4,346,400**

Previously, under the State Board of Education, the enrollment growth funding for the Applied Technology Centers (ATCs) and Applied Technology Center Service Regions (ATCSRs) was calculated by increasing the base funding of each entity by a system-wide average enrollment growth factor. This approach treated each entity as "one size fits all" and did not fund institutions based on actual enrollment growth. The prior approach for funding enrollment growth also did not account for varying costs of instruction. Certain programs are equipment intensive, while others require an instructor with specialized credentials. There is also the challenge of certain curriculum limiting access due to faculty/student ratio requirements or availability of space because of equipment constraints.

Because of the concerns associated with the enrollment funding mechanism formerly used, the 2002 General Session, the Legislature approved intent language as follows:

*It is the intent of the Legislature that the Utah College of Applied Technology Board of Trustees perform an interim study of the enrollment growth formula in conjunction with the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget to determine an equitable and appropriate funding formula for enrollment growth.*

During fiscal year 2002, the Legislative Fiscal Analyst, the Governor's Analyst and business members from all of the colleges worked on the funding formula and came up with a proposed change in the enrollment funding mechanism for the UCAT technical college based on a combination of fixed and variable funding. The UCAT Board of Trustees along with the President's Council approved the new funding formula.

The only constant in UCAT Enrollments is that the enrollments are constantly changing because of the open entry/open exit curriculums. Therefore, to account for the fluctuations in enrollments, the new funding model is based on a three-year average of actual enrollments. The funded target is also a three-year average. The calculated enrollment growth of 1,020,129 membership hours or a 20.07 percent increase is multiplied by the direct cost of instruction of \$4.91. Tuition collected for adult students in the enrollment growth will partially offset the state funds. The other two components of the new funding formula are base support for existing students, which is essentially an inflationary rate increase for compensation and core funding for system-wide needs. This approach will fund each institution at a level consistent with enrollment growth. **The Analyst recommends, if additional funding becomes available, \$4,346,400 in State funds for the enrollment growth component only.**

The following table indicates the distribution of enrollment funding for FY 2004:

UCAT Enrollment Growth Funding Distribution								
	Enrollment Growth Calculation for FY 2004			Cost Factor of \$4.91			Less Tuition Increase to \$1.00	Total State Funding
	Adult	Secondary	Total	Adult	Secondary	Total	Adult	
Bridgerland	101,298	9,067	110,365	\$497,400	\$44,500	\$541,900	(\$101,300)	\$440,600
Central	6,877	14,644	21,521	\$33,800	\$71,900	105,700	(\$6,900)	\$98,800
Davis	218,741	12,561	231,302	\$1,074,000	\$61,700	1,135,700	(\$218,700)	\$917,000
Dixie	4,255	22,072	26,327	\$20,900	\$108,400	129,300	(\$4,300)	\$125,000
Mountainland	25,092	118,238	143,329	\$123,200	\$580,500	703,700	(\$25,100)	\$678,600
Ogden-Weber	170,623	47,549	218,172	\$837,800	\$233,500	1,071,300	(\$170,600)	\$900,700
Salt Lake-Tooele	6,586	30,536	37,122	\$32,300	\$149,900	182,200	(\$6,600)	\$175,600
Southeast	11,842	1,622	13,463	\$58,100	\$8,000	66,100	(\$11,800)	\$54,300
Southwest	92,165	34,354	126,519	\$452,500	\$168,700	621,200	(\$92,200)	\$529,000
Unitah Basin	25,009	66,999	92,008	\$122,800	\$329,000	451,800	(\$25,000)	\$426,800
<b>Total</b>	<b>662,487</b>	<b>357,642</b>	<b>1,020,129</b>	<b>\$3,252,800</b>	<b>\$1,756,100</b>	<b>\$5,008,900</b>	<b>(\$662,500)</b>	<b>\$4,346,400</b>

Appendix A has four tables and three charts. Table 1 shows the average membership hours used to calculate the enrollment growth for the above table. Chart 1 shows a bar graph of the FY 2002 secondary and adult membership hours for each technical college. Chart 2 shows a pie chart of the total enrollments in membership hours for FY 2002 by institution. Table 3 shows the history of enrollments for UCAT over the past six years. Table 3 is an analysis of the percent of students enrolled in each UCAT institution versus the total secondary and adult labor force. Chart 3 is a bar graph illustration the potential enrollment population for each region. Table 4 is an analysis of the enrollment growth over the past six years.

### 3.33 Administrative Costs for Dixie Applied Technology College - \$100,000

With the creation of UCAT, the Southwest Applied Technology Center Service Region was split to form two regional colleges, the Southwest (SWATC) and Dixie Applied Technology Colleges (DXATC). The funding for the two technical colleges was split based on the programs occurring in the regions. Dixie received about 38 percent of the funding while the Southwest received 62 percent of the funding. The Administrative costs transferred amounted to \$125,000 to cover lease expenditures. In addition, in the 2002 General Session, the Legislature transferred \$75,000 to DXATC from the

UCAT – Administration line item to assist Dixie with operation expenses. Dixie requires additional administrative funding to cover operating expenditures. **The Analyst recommends if additional funding becomes available, an appropriation of \$100,000 for the Administrative cost for FY 2004 for Dixie Applied Technology College.**

### **3.34 Americans with Disabilities - \$67,800**

The Americans with Disabilities Act is designed to remove obstructions that prevent disabled persons from fully participating in activities that are available to the general public. As student enrollment grows and access increases, the number of disabled students participating in college life on Utah campuses also increases. Therefore, additional programmatic needs are required for disabled students on two campuses. This recommendation is to enhance funding for interpretive programs for the deaf, provide enlarged print services and readers for the blind, and purchase specialized equipment for these students located at Bridgerland, Davis and Ogden-Weber Applied Technology Colleges. The funding will be distributed as follows:

- Bridgerland - \$15,500
- Davis - \$32,300
- Ogden-Weber - \$20,000

**The Analyst recommends an appropriation of \$67,800 if additional funding becomes available.** The recommended amount is a good faith effort on the part of the Legislature to address this critical funding need.

### **3.35 Operation and Maintenance of Facilities - \$72,000**

It has been the practice of the Legislature to view Operation and Maintenance (O&M) of facilities as an obligation of the State when the Legislature has approved both the construction of the facility and the payment of the O&M from State tax funds.

#### **Bridgerland Applied Technology College Brigham City Complex – \$21,000**

The Brigham City Complex is located on Highway 89 at the mouth of Sardine Canyon. Box Elder County purchased the facility from Fred Meyer's and currently leases the space to Bridgerland Applied Technology College, Utah State University Brigham City Continuing Education Center, the Drivers License Division, as well as other state and local government agencies. The total facility has 115,000 square feet with 11 acres of land; however, BATC only occupies a little over 26 percent of the total space. In the 2001 General Session, the Legislature appropriated funding for the purchase of the Brigham City Complex. Bridgerland is requesting operation and maintenance expenditures associated with the facility based on a rate of \$6 per square foot quoted by DFCM, which would be \$181,000 for 30,111 square feet. In the 1995 General Session, the Legislature appropriated \$160,000 to fund the operation and maintenance for the Brigham City Campus. The remaining balance of \$21,000 (\$181,000 less \$160,000) is needed to fund the O&M. **The Analyst recommends if additional funding becomes available, \$21,000 in State funds for the O&M for this facility for FY 2004.**

**Ogden-Weber Applied Technology College Ogden Business Depot - \$51,000**

A warehouse at the Ogden Business Depot was deeded from the federal government to the OWATC at no cost. Capital Improvement funds were approved to upgrade and remodel the facility for training purposes and \$129,000 of operation and maintenance funding was provided. During the remodel, a fire totally destroyed the building. Insurance proceeds and the remaining improvement funds were used to rebuild a 48,000 square foot facility, 10,000 square feet of classroom and office space, 20,000 square feet of lab space, and 18,000 square feet for future capacity which opened October 14, 2002. The remodel created a need for an increase in the operation and maintenance costs from \$129,000 to \$180,000 for a net increase of \$51,000. In addition, Ogden-Weber ATC is requesting an additional \$50,000 to cover the costs of O&M due to the budget reductions sustained during FY 2003; however, the Analyst does not recommend the additional amount.

**The Analyst recommends if additional funding becomes available, \$51,000 in State funds for the O&M for this facility for FY 2004.**

**3.36 Lease Funding for Salt Lake-Tooele Applied Technology College - \$510,000**

The Salt Lake-Tooele Applied Technology College (SLTATC) does not own any property. Thus, funding for leases is of highest priority for the college. For instructional courses, the college utilizes classroom space made available by the five local school districts and industry. SLTATC currently has leases for space in four buildings (#1) Salt Lake Campus (located in the vacated Libbie Edward Elementary School), (#2) West Valley Training Center (located at the Bering Trucking Company with access to Diesels for training purposes), (#3) West Valley Campus (located in shared space with the Department of Workforce Services as a pilot program coordinate unemployment services with testing and training), and (#4) Tooele Campus (located at a facility on Main Street). This request for \$510,000 is to cover existing lease costs that are currently being funded with program revenue. This specific request does not include any funding for additional facilities that we need to lease in meeting our instructional space requirements. The lease contracts are as follows:

- Libbie Edwards Elementary - \$92,000
- Bering Trucking Company - \$228,000
- Department of Workforce Services – \$120,000
- Tooele Facility - \$70,000

UCAT legislation clearly encourages cooperative use of instructional space with higher and public education and public and private agencies. They may not ask for new facilities until all available facilities are fully utilized as outline in Section 53B-2a-112 of the Utah Code:

*(4) Before a regional applied technology college develops its own new instructional facilities; it shall give priority to:*  
*(c) developing cooperative agreements with local school districts, other higher education institutions, businesses, industries, and community and private agencies to maximize the availability of applied technology instructional facilities for both secondary and adult students.*

The SLTATC is in compliance with the statute in using available facilities rather than requesting new space for instructional programs. **The Analyst recommends if additional funding becomes available an appropriation of State funds for \$510,000 for lease expenses.**

### **3.40 System-wide Initiatives**

#### **3.41 Custom Fit - \$500,000**

Through the Custom Fit Training Programs, training is developed for Utah employers tailored to specifically meet their needs. The Program is also designed to attract new businesses, and aid in the retention and expansion of existing businesses. Custom Fit offers a diversity of services for business and industry, which in turn stimulates the economy. Currently, several of the Utah System of Higher Education and all of the technical colleges receive custom fit dollars except the Salt Lake-Tooele Applied Technology College (SLTATC). If additional funding is received, SLTATC should be included in the allocation of custom fit funding. **The Analyst recommends the following intent language should be included:**

*It is the intent of the Legislature, if additional funding is received in FY 2004 for Custom Fit, that the UCAT Board of Trustees allocates an appropriate amount of Custom Fit monies to the Salt Lake-Tooele Applied Technology College.*

**Custom Fit training is critical to the economic welfare of the State of Utah; therefore the Analyst recommends an appropriation of \$500,000 if additional funding becomes available.**

#### **3.42 Utah Academic Library Consortium - \$50,000**

UCAT is in the process of working on accreditation so they can offer Associate of Applied Technology Degrees. An essential component for accreditation is access to libraries. Several years ago, the Utah System of Higher Education formed the Utah Academic Library Consortium (UALC) to meet the library needs of the institutions of higher education. The UALC evaluates the library needs of the USHE institutions as well as effectively negotiates library procurements and contractual agreements economically due to economies of scale. The UALC can offer economical and efficient ways for cooperation and collaboration between UCAT and USHE institutional libraries. Additional funding would allow the UCAT institutions to become a member of the UALC. Base of library funding is required to support these new collections. **The Analyst recommends if additional funding becomes available, an appropriation of \$50,000 for FY 2004 for the library needs.**



### 3.50 One-time Funding Recommendations

#### 3.51 Management Information System (MIS) - \$800,000

UCAT is requesting \$2 million for a management information system. Currently, the Utah System of Higher Education (USHE) is in the process of implementing a new MIS system (Banner). The new Banner system will be up and running by July 1, 2003. The University of Utah converted before Y2K to People Soft and Salt Lake Community College has already converted to Banner for some modules and is in the process of completing the conversion. Incidentally, the colleges and universities funded their management information system within existing budgets. UCAT can utilize the Banner system for most of the functions except student data. The student data component is not compatible between systems because the USHE system is not equipped to deal with open entry/open exit needs of UCAT. Currently, UCAT has ongoing equipment funding of \$844,300 in the UCAT – Administration line item. This request, suggest that the MIS system is more critical at this time than instructional equipment. **Since the MIS system is one-time in nature, the Analyst recommends that the MIS system be funded using the ongoing equipment funding over a three year period of \$800,000 until it reaches \$2,000,000.**

#### 3.60 Tuition Revenue

Currently, the adults enrolled in Applied Technology Education programs at the ATC's pay tuition of 95 cents per membership hour. (Secondary students are exempt from tuition based on statute.) After visiting with each regional college, certain programs with excessive costs associated with instruction are charged a higher tuition to offset the costs. This is not standardized across the system and varies from region to region.

UCAT has proposed a tuition increase of five cents (from 95 cents to a \$1.00) per membership hour for FY 2004. This will generate a total of \$3.5 million in dedicated credits. Tuition is an additional source of revenue to offset operating costs. Tuition revenue may be used to offset operating needs such as ADA, Dixie Administrative Costs, the library and the MIS System.

The Legislation that established UCAT stated that education for secondary students would be at no cost and "low cost" for adults. Therefore, before considering tuition rate increases, an evaluation of what the market will bear needs to be determined. For example, in the Uintah Basin region, the oil industry is the predominate industry which is depressed at this time. Many of the students attending that campus are unemployed and would be priced out of college if there were a significant tuition increase. Perhaps, an across the board increase for all ten campuses would not advisable, but a differential tuition based on each Regions ability to generate additional revenue based on the ability of students to pay.

In the previous Session, the Legislature approved the following intent language relating to tuition revenue:

*It is the intent of the Legislature that a study be performed in the interim with members of the UCAT Board of Trustees, the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget to evaluate the tuition revenue. It is also the intent of the Legislature that uniform tuition rates be established for programs based on cost of instruction, and on market demand, as well as student's potential earning power upon completion of the program. Based on the outcome of the study, it is the intent of the Legislature that a tuition rate increase be implemented the fall of 2002.*

*It is the intent of the Legislature that each college is to use tuition revenue generated by the tuition rate increases to cover institutional priorities.*

With the first year of inception and all the demands placed on UCAT with budget cuts, accreditation, and the development of a new funding formula, the Board of Trustees were unable to address the intent language relating to tuition. With the States inability to provide additional resources and the proposed tuition increase, this study of tuition is critical. **The Analyst therefore, recommends that this intent language be included in FY 2004.**

### **3.70 Cost of Applied Technology Education**

With the creation of UCAT and because eight of the nine USHE institutions provide vocational education, there has been a lot of discussion about the cost of applied technology education. **The objective of this analysis is to determine whether it is more cost effective for UCAT or USHE institutions to offer entry-level vocational programs.**

This is a complex issue because in the past there has **not** been a standard to compare higher education with UCAT because of the method of accounting for student enrollments (full time equivalent (FTE) versus membership hour). However with UCAT offering associate of applied technology degrees, a conversion factor for membership hours to credit equivalents was adopted in order to articulate with USHE institutions. The conversion factor for membership hours to a full time equivalent (FTE) student is 900 hours per academic year. This is consistent with the U.S. Department of Education's definition for federal financial aid. This allows for an appropriate comparison of costs per FTE.

In order to compare the same fiscal years based on the 2002-2003 Data Book published by the Utah System of Higher Education, the cost study section was used to compare the USHE institution and the State Auditor's report for FY 2001 was used for UCAT. Because of the availability of information, three schools were evaluated, Weber State University, Ogden-Weber and Davis Applied Technology Colleges. Also for a more accurate comparison, only the cost of instruction for adult students was evaluated at Davis and Ogden-Weber since Weber State only trains adults.

A preliminary evaluation of the cost of instruction for Ogden-Weber and Davis Applied Technology Colleges (for adults only) versus Weber State University indicates that it may be less expensive to offer entry-level courses at the two UCAT institutions (Appendix B Tables 5 and 6 show the detail of the analysis). The following table summarizes the Analyst's preliminary findings:

Comparison of Cost of Instruction for Adult Students				
	Direct Cost of Vocational Instruction for Total Funds	Full Cost of Vocational Instruction for Total Funds	Direct Cost of Vocational Instruction for State Funds	Full Cost of Vocational Instruction for State Funds
Weber State University	\$3,520	\$6,493	\$2,464	\$4,545
Davis Applied Technology College	\$2,910	\$5,552	\$1,973	\$3,764
Ogden-Weber Applied Technology College	\$2,751	\$5,627	\$2,020	\$4,131
Average Cost	\$2,831	\$5,590	\$1,997	\$3,948
Variance Between WSU and the Average	\$690	\$904	\$468	\$598

Although, it appears to be less expensive to train adult vocational students at UCAT institutions, this analysis was limited to the Ogden area. Therefore, an additional study needs to be performed system-wide to determine which institution can provide the vocational courses effectively and efficiently. There are many factors that need to be evaluated before a final recommendation can be made on where these programs should be offered. Other issues regarding tenured faculty at USHE institutions, availability of instructional space, equipment and faculty support need to be evaluated.

**It is the recommendation of the Analyst, that the following intent language providing for a study of applied technology programs is performed.**

*It is the intent of the Legislature that an interim study be performed, by the State Board of Regents and the UCAT Board of Trustees in conjunction with the Legislative Fiscal Analyst Office and the Governor's Office of Planning and Budget to determine the most appropriate placement of applied technology, and reported to the Executive Appropriation Committee by September 30<sup>th</sup> of 2003. It is further the intent of the Legislature that the appropriate placement of developmental programs be included in the study.*

### 3.80 Prior Year Intent Language

#### **Funding Formula**

*It is the intent of the Legislature that the Utah College of Applied Technology Board of Trustees perform an interim study of the enrollment growth formula in conjunction with the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget to determine an equitable and appropriate funding formula for enrollment growth. It is further the intent of the Legislature that the results of the study be reported to the Commerce and Revenue Appropriation Subcommittee by October 31 of 2002.*

**Agency Response: The agency has not submitted a response.**

The Analyst recommends that this intent language not be included in FY 2004 since the funding formula has been completed.

#### **Tuition Revenue**

*It is the intent of the Legislature that a study be performed in the interim with members of the UCAT Board of Trustees, the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget to evaluate the UCAT tuition revenue. It is also the intent of the Legislature that uniform tuition rates be established for UCAT programs based on cost of instruction and on market demand. It is further the intent of the Legislature that the outcome of the study on UCAT tuition is reported to the Commerce and Revenue Appropriation Subcommittee by October 31 of 2002, and that the recommended tuition rate increase is implemented as soon as possible. It is also the intent of the Legislature that each college is to use tuition revenue generated by the tuition rate increases to cover institutional priorities.*

**Agency Response: The agency has not submitted a response.**

With the first year of inception and all the demands placed on UCAT with budget cuts, accreditation, and the development of a new funding formula, the Board of Trustees was unable to address the intent language relating to tuition. The Analyst therefore, recommends that this intent language be included in FY 2004 with the date being changed to October 31, 2003.

#### **Proportionate Allocation of Budget Reductions**

*It is the intent of the Legislature that the Utah College of Applied Technology's Regional Colleges with satellite campuses, proportionately allocate the budget reductions between the main campuses and the satellite campuses.*

**Agency Response: The agency has not submitted a response.**

The Analyst recommends that this intent language be omitted in FY 2004 because of compliance.

**Budget Requests**

*It is the intent of the Legislature that all budget requests for the Utah College of Applied Technology flow from the regional applied technology boards of each regional applied technology college to the Utah College of Applied Technology Board of Trustees to be prioritized and submitted to the Legislature.*

**Agency Response: The agency has not submitted a response.**

The Analyst recommends that the prior year intent language for Budget Requests be changed to the following intent language for FY 2004 in order to expedite the receipt of budget reports and budget requests:

*It is the intent of the Legislature that UCAT complete and submit all financial reports (i.e. A-1's, R-1's, S-10's, etc.) to the Office of the Legislative Fiscal Analyst by November 1 of each fiscal year. It is further the intent of the Legislature that the approved consolidated budget request from the UCAT Board of Trustees be submitted to the Office of the Legislative Fiscal Analyst by November 1 of each fiscal year.*

## 4.0 UCAT Funding History

	2000	2001	2002	2003	2004
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
General Fund	1,177,100	1,034,700	1,918,200	37,606,000	37,606,000
General Fund, One-time				10,700	
Uniform School Fund	30,230,647	26,605,200	25,667,500		
Uniform School Fund, One-time	(1,000)				
Income Tax		1,286,200	7,659,500		
Income Tax, One-time				292,800	
Federal Funds			338,100	175,000	175,000
Dedicated Credits	3,480,184	3,980,800	4,377,600	4,577,700	4,577,700
Transfers	(500,000)	614,500	2,722,200	657,700	657,700
Beginning Balance	2,054,540	1,067,600	873,000	1,326,000	494,300
Closing Balance	(1,111,208)	(906,200)	(2,219,500)	(494,300)	
<b>Total</b>	<b>\$35,330,263</b>	<b>\$33,682,800</b>	<b>\$41,336,600</b>	<b>\$44,151,600</b>	<b>\$43,510,700</b>
<b>Programs</b>					
Administration				5,906,200	5,858,900
Bridgerland ATC	7,269,763	8,158,900	8,661,600	7,826,400	7,771,900
Central ATC		270,100	1,445,100	2,534,100	2,523,100
Davis ATC	7,447,700	8,122,800	8,952,800	7,693,500	7,794,600
Dixie ATC			456,800	720,100	714,300
Mountainlands ATC		1,141,300	2,339,800	2,025,100	2,002,100
Ogden/Weber ATC	8,185,800	8,871,800	9,804,300	8,761,900	8,676,600
Salt Lake/Tooele ATC	1,199,300	1,585,500	2,090,000	2,356,200	1,858,200
Southeast ATC		648,700	928,200	884,800	878,900
Southwest ATC		568,000	2,010,000	1,575,900	1,591,400
Uintah Basin ATC	4,297,000	4,315,700	4,648,000	3,867,400	3,840,700
Higher Ed ATC Service Regions	1,177,100				
Public Ed ATC Service Regions	1,318,300				
ATC/ATCSR Development	1,700,000				
Custom Fit	2,735,300				
<b>Total</b>	<b>\$35,330,263</b>	<b>\$33,682,800</b>	<b>\$41,336,600</b>	<b>\$44,151,600</b>	<b>\$43,510,700</b>
<b>FTE/Other</b>					
Total FTE	397	517	547	569	563
Vehicles			75	75	75

## **Appendix A**

Table 1									
Average UCAT Base Funding Target									
	1997			1998			1999		
	Adult	Secondary	Total	Adult	Secondary	Total	Adult	Secondary	Total
Bridgerland Central	622,963	417,593	1,040,556	721,012	451,719	1,172,731	725,459	465,572	1,191,031
Davis	439,227	519,948	959,175	534,270	556,427	1,090,697	624,454	572,677	1,197,131
Dixie	786	48,551	49,336	1,423	47,955	49,378	1,954	57,920	59,874
Mountainlands	74,165	159,247	233,412	65,161	190,473	255,634	106,734	246,383	353,117
Ogden-Weber	742,493	319,260	1,061,753	840,727	368,499	1,209,226	928,102	376,439	1,304,541
Salt Lake-Tooele	1,126	223,122	224,248	11,137	279,779	290,916	9,816	248,641	258,457
Southeast	33,443	48,142	81,585	71,930	55,876	127,806	93,701	81,302	175,003
Southwest	64,059	117,569	181,628	116,069	116,126	232,195	159,359	140,257	299,616
Utah Basin	260,870	201,754	462,624	254,705	211,062	465,767	293,433	232,474	525,907
<b>Total</b>	2,239,132	2,055,186	4,294,317	2,616,434	2,277,916	4,894,350	2,943,012	2,421,665	5,364,677

Average UCAT Enrollments									
	2000			2001			2002		
	Adult	Secondary	Total	Adult	Secondary	Total	Adult	Secondary	Total
Bridgerland Central	764,688	460,214	1,224,902	763,157	436,487	1,199,644	845,482	465,385	1,310,867
Davis	679,737	553,398	1,233,135	780,904	538,849	1,319,753	76,843	163,628	240,471
Dixie			0	16,057	61,934	77,991	793,533	594,488	1,388,021
Mountainlands	122,520	266,519	389,039	133,281	284,715	417,996	2,438	79,728	82,166
Ogden-Weber	827,734	407,090	1,234,824	1,018,279	400,632	1,418,911	65,534	399,582	465,116
Salt Lake-Tooele	7,282	259,403	266,685	12,528	161,696	174,224	1,177,177	399,123	1,576,300
Southeast	76,345	59,358	135,703	88,631	60,290	148,921	22,028	152,051	174,079
Southwest	203,361	135,563	338,924	201,277	81,835	283,112	69,623	70,537	140,160
Utah Basin	297,563	267,131	564,694	293,600	301,594	595,194	196,365	113,339	309,704
<b>Total</b>	2,979,230	2,408,676	5,387,906	3,307,714	2,328,032	5,635,746	292,873	277,562	570,435

UCAT Enrollment Growth Funding Distribution					Total State Funding	
Enrollment Growth Calculation for FY 2004					Less Tuition Increase to \$1.00	Adult
Cost Factor of \$4.91					Total State Funding	
Adult	Secondary	Total	Adult	Secondary	Adult	Adult
Bridgerland Central	101,298	9,067	110,365	\$497,400	\$541,900	\$440,600
Davis	6,877	14,644	21,521	\$33,800	\$71,900	\$98,800
Dixie	218,741	12,561	231,302	\$1,074,000	\$61,700	\$917,000
Mountainland	4,255	22,072	26,327	\$20,900	\$108,400	\$125,000
Ogden-Weber	25,092	118,238	143,329	\$123,200	\$580,500	\$678,600
Salt Lake-Tooele	170,623	47,549	218,172	\$837,800	\$233,500	\$900,700
Southeast	6,586	30,536	37,122	\$32,300	\$149,900	\$175,600
Southwest	11,842	1,622	13,463	\$58,100	\$8,000	\$54,300
Utah Basin	92,165	34,354	126,519	\$452,500	\$168,700	\$29,000
<b>Total</b>	25,009	66,999	92,008	\$122,800	\$329,000	\$426,800
	662,487	357,642	1,020,129	\$3,252,800	\$1,756,100	\$4,346,400



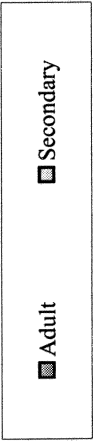
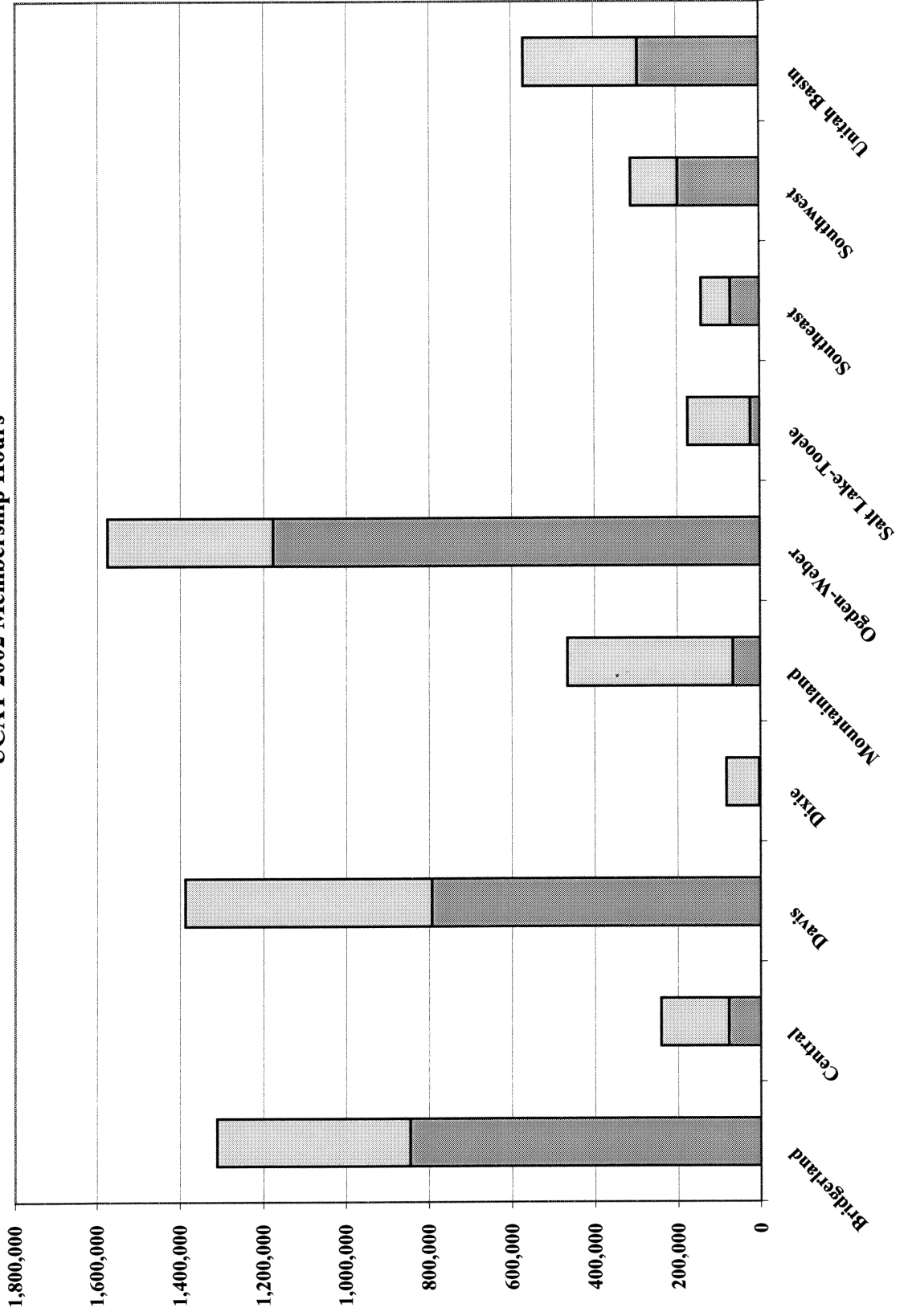


Chart 1  
UCAT 2002 Membership Hours



**Chart 2**  
**UCAT 2002 Membership Hours**

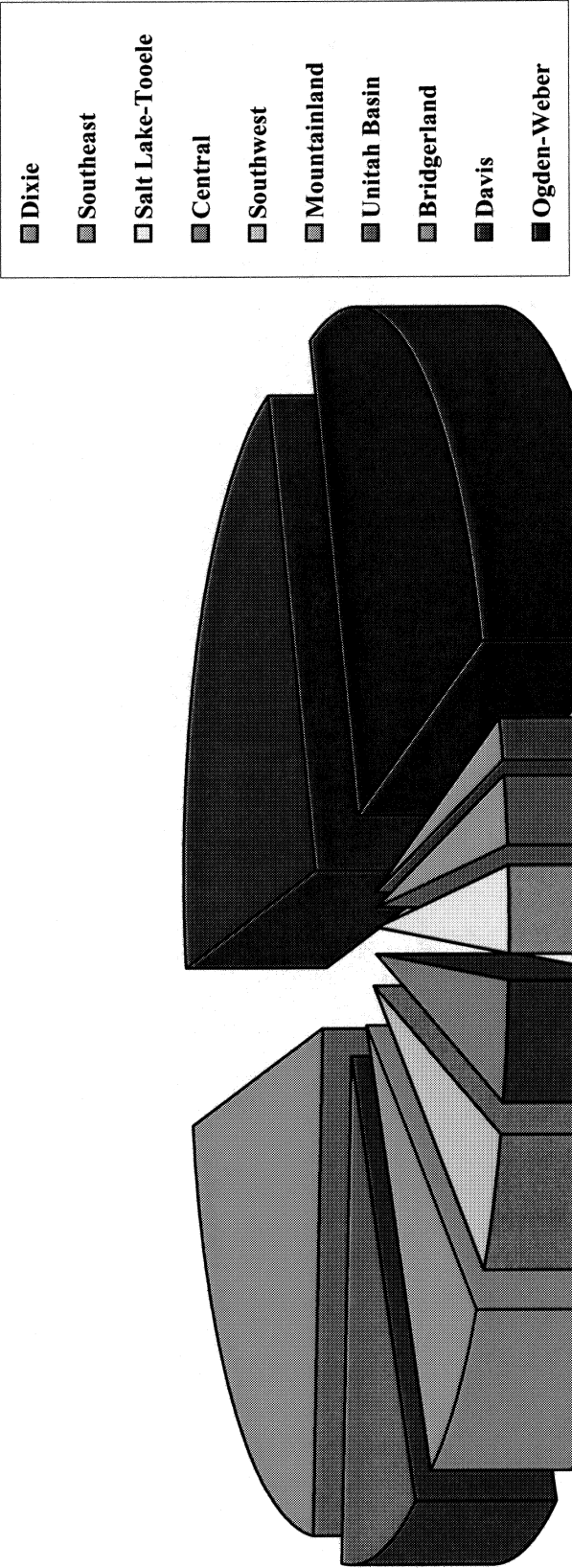


Table 2									
UCAT Enrollment History in Membership Hours									
UCAT	1997			1998			1998		
	Adult	Secondary	Total	Adult	Secondary	Total	Adult	Secondary	Total
Bridgerland	622,963	417,593	1,040,556	721,012	451,719	1,172,731	725,459	465,572	1,191,031
Central	0	0	0	0	0	0	0	0	0
Davis	439,227	519,948	959,175	534,270	556,427	1,090,697	624,454	572,677	1,197,131
Dixie	786	48,551	49,336	1,423	47,955	49,378	1,954	57,920	59,874
Mountainland	74,165	159,247	233,412	65,161	190,473	255,634	106,734	246,383	353,117
Ogden-Weber	742,493	319,260	1,061,753	840,727	368,499	1,209,226	928,102	376,439	1,304,541
Salt Lake-Tooele	1,126	223,122	224,248	11,137	279,779	290,916	9,816	248,641	258,457
Southeast	33,443	48,142	81,585	71,930	55,876	127,806	93,701	81,302	175,003
Southwest	64,059	117,569	181,628	116,069	116,126	232,195	159,359	140,257	299,616
Unitah Basin	260,870	201,754	462,624	254,705	211,062	465,767	293,433	232,474	525,907
<b>Total Membership Hours</b>	2,239,132	2,055,186	4,294,317	2,616,434	2,277,916	4,894,350	2,943,012	2,421,665	5,364,677
Adult/Secondary %	52.14%	47.86%		53.46%	46.54%		54.86%	45.14%	
Enrollment Growth				377,303	222,730	600,033	326,578	143,749	470,327
Percent Increase in Growth				16.85%	10.84%	13.97%	12.48%	6.31%	9.61%

UCAT Enrollment History in Membership Hours									
UCAT	2000			2001			2002		
	Adult	Secondary	Total	Adult	Secondary	Total	Adult	Secondary	Total
Bridgerland	764,688	460,214	1,224,902	763,157	436,487	1,199,644	845,482	465,385	1,310,867
Central	0	0	0	0	0	0	76,843	163,628	240,471
Davis	679,737	553,398	1,233,135	780,904	538,849	1,319,753	793,533	594,488	1,388,021
Dixie	0	0	0	16,057	61,934	77,991	2,438	79,728	82,166
Mountainland	122,520	266,519	389,039	133,281	284,715	417,996	65,534	399,582	465,116
Ogden-Weber	827,734	407,090	1,234,824	1,018,279	400,632	1,418,911	1,177,177	399,123	1,576,300
Salt Lake-Tooele	7,282	259,403	266,685	12,528	161,696	174,224	22,028	152,051	174,079
Southeast	76,345	59,358	135,703	88,631	60,290	148,921	69,623	70,537	140,160
Southwest	203,361	135,563	338,924	201,277	81,835	283,112	196,365	113,339	309,704
Unitah Basin	297,563	267,131	564,694	293,600	301,594	595,194	292,873	277,562	570,435
<b>Total Membership Hours</b>	2,979,230	2,408,676	5,387,906	3,307,714	2,328,032	5,635,746	3,541,896	2,715,423	6,257,319
Adult/Secondary %	55.29%	44.71%		58.69%	41.31%		56.60%	43.40%	
Enrollment Growth	36,218	(12,989)	23,229	328,484	(80,644)	247,840	234,182	387,391	621,573
Percent Increase in Growth	1.23%	-0.54%	0.43%	11.03%	-3.35%	4.60%	7.08%	16.64%	11.03%

**Chart 3**  
**UCAT Growth Potential**

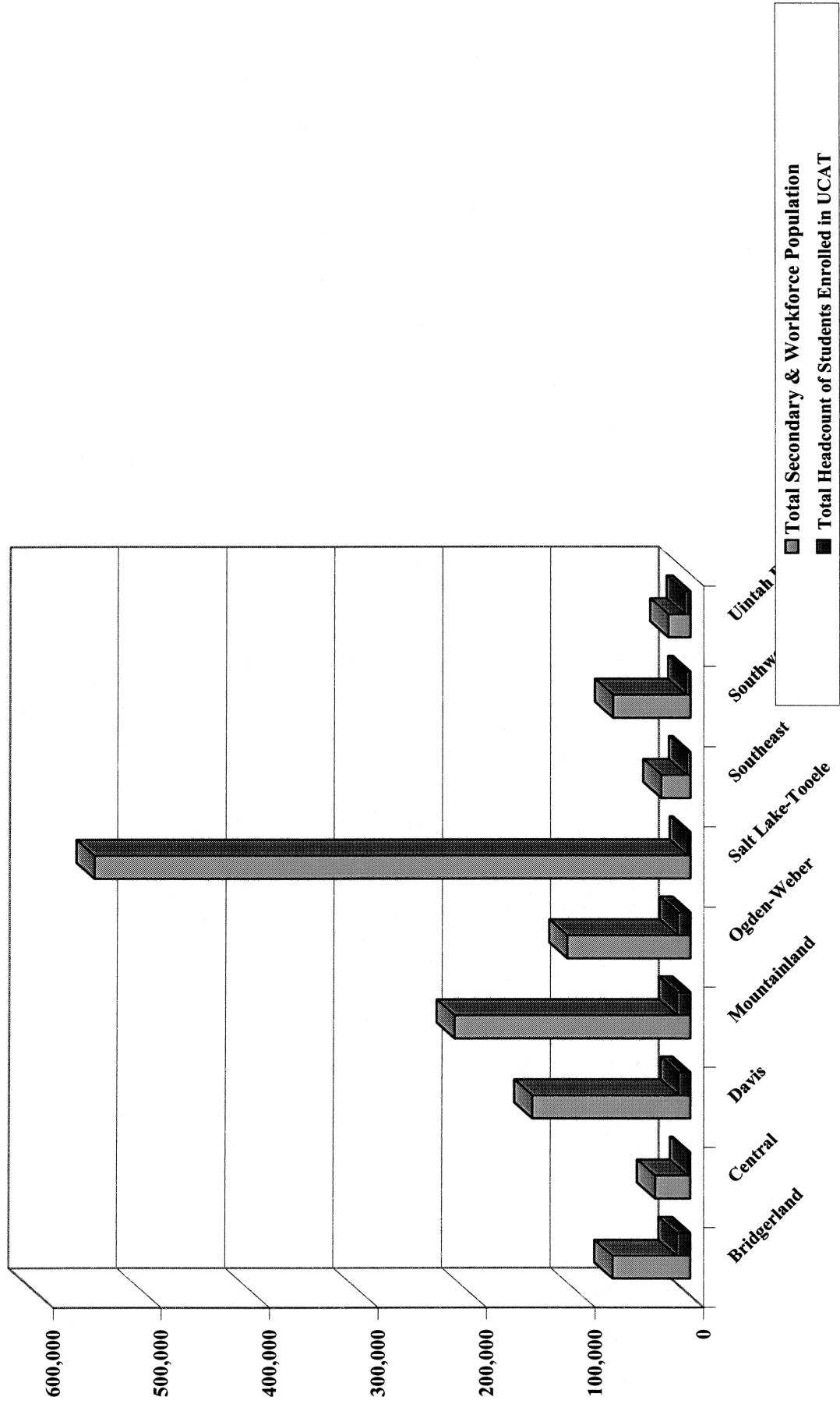


Table 4

## UCAT Analysis of Enrollment Growth

UCAT	1997	1998	Change	% Change	1999	Change	% Change	2000	Change	% Change	2001	Change	% Change	2002	Change	% Change	Average
Bridgerland	1,040,556	1,172,731	132,175	12.70%	1,191,031	18,300	1.56%	1,224,902	33,871	2.84%	1,199,644	(25,258)	-2.06%	1,310,867	111,223	9.27%	4.86%
Central	0	0	0	0.00%	0	0	0.00%	0	0	0.00%	0	0	0.00%	240,471	240,471	0.00%	0.00%
Davis	959,175	1,090,697	131,522	13.71%	1,197,131	106,434	9.76%	1,233,135	36,004	3.01%	1,319,753	86,618	7.02%	1,388,021	68,268	5.17%	7.73%
Dixie	0	0	0	0.00%	0	0	0.00%	0	0	0.00%	77,991	77,991	0.00%	82,166	4,175	5.35%	1.07%
Mountainland	233,412	255,634	22,222	9.52%	353,117	97,483	38.13%	389,039	35,922	10.17%	417,996	28,957	7.44%	465,116	47,120	11.27%	15.31%
Ogden-Weber	1,061,753	1,209,226	147,473	13.89%	1,304,541	95,315	7.88%	1,234,824	(69,717)	-5.34%	1,418,911	184,087	14.91%	1,576,300	157,389	11.09%	8.49%
Salt Lake-Tooele	224,248	290,916	66,668	29.73%	258,457	(32,459)	-11.16%	266,685	8,228	3.18%	174,224	(92,461)	-34.67%	174,079	(145)	-0.08%	-2.60%
Southeast	81,585	127,806	46,221	56.65%	175,003	47,197	36.93%	135,703	(39,300)	-22.46%	148,921	13,218	9.74%	140,160	(8,761)	-5.88%	15.00%
Southwest	181,628	232,195	50,567	27.84%	299,616	67,421	29.04%	338,924	39,308	13.12%	283,112	(55,812)	-16.47%	309,704	26,592	9.39%	12.58%
Utah Basin	462,624	465,767	3,143	0.68%	525,907	60,140	12.91%	564,694	38,787	7.38%	595,194	30,500	5.40%	570,435	(24,759)	-4.16%	4.44%
<b>Total Membership Hours</b>	<b>4,246,978</b>	<b>4,846,970</b>	<b>599,991</b>	<b>14.13%</b>	<b>5,306,802</b>	<b>459,831</b>	<b>9.49%</b>	<b>5,389,906</b>	<b>83,103</b>	<b>1.57%</b>	<b>5,637,747</b>	<b>247,840</b>	<b>4.60%</b>	<b>6,259,321</b>	<b>621,573</b>	<b>11.03%</b>	<b>8.16%</b>

## Appendix B

**Table 5**  
**ATE Cost Comparisons of Total Funding for Adults Only**

**Davis ATC**

		FY 01 Revenue & Expenditures for Adults	Adult Membership Hrs.	Conversion to FTE's Based on 30 clock hrs per credit hr.	Direct Cost of Instruction per FTE Student	Full Cost of Instruction per FTE Student
<b>Revenues:</b>	<b>FY 01 Revenue &amp; Expenditures</b>					
87.01% State Funds	\$7,084,000	\$3,813,600				
Tuition	926,000	926,000				
Other	132,000	78,100				
<b>Total</b>	<b>\$8,142,000</b>	<b>\$4,817,700</b>				
<b>Expenditures:</b>						
Instruction	\$4,267,200	\$2,524,900				
Academic Support	529,000	313,000				
Student Services	1,063,800	629,500				
Institutional Support	1,112,000	658,000				
O&M	1,126,000	666,300				
Scholarships	44,000	26,000				
<b>Total</b>	<b>\$8,142,000</b>	<b>\$4,817,700</b>	780,904	868	\$2,910	\$5,552

**Ogden-Weber ATC**

		FY 01 Revenue & Expenditures for Adults	Adult Membership Hrs.	Conversion to FTE's Based on 30 clock hrs per credit hr.	Direct Cost of Instruction per FTE Student	Full Cost of Instruction per FTE Student
<b>Revenues:</b>	<b>FY 01 Revenue &amp; Expenditures</b>					
87.76% State Funds	\$7,786,000	\$5,329,800				
Tuition	913,200	913,200				
Other	172,600	123,900				
<b>Total</b>	<b>\$8,871,800</b>	<b>\$6,366,900</b>				
<b>Expenditures:</b>						
Instruction	\$4,337,100	\$3,112,500				
Academic Support	719,000	516,000				
Student Services	1,134,000	813,800				
Institutional Support	1,280,100	918,700				
O&M	1,395,500	1,001,500				
Scholarships	6,100	4,400				
<b>Total</b>	<b>\$8,871,800</b>	<b>\$6,366,900</b>	1,018,279	1,131	\$2,751	\$5,627

**Weber State University**

	Direct Cost of Instruction	Full Cost of Instruction	FTE Students	Direct Cost of Instruction per FTE Student	Full Cost of Instruction per FTE Student
Vocational Education	\$8,103,644	\$14,947,268	2,302	\$3,520	\$6,493

	Direct Cost of Instruction per FTE Student	Full Cost of Instruction per FTE Student
<b>Variance Between WSU and Davis and Ogden-Weber ATC's</b>		
Davis	\$610	\$941
Ogden-Weber	769	866
Average Variance	\$690	\$903

Sources: 1. Davis and Ogden-Weber's sources revenue and expenditures came from the state auditors FY 01 audit reports.  
2. WSU's figures came from the 2002-03 Data Book; Cost Study Tab; page 12.

**Table 6**  
**ATE Cost Comparisons of Total Appropriated State Funding for Adults Only**

**Davis ATC**

	<b>FY 01 Revenue &amp; Expenditures</b>	<b>FY 01 Revenue &amp; Expenditures for Adults</b>	<b>Adult Membership Hrs.</b>	<b>Conversion to FTE's Based on 30 clock hrs per credit hr.</b>	<b>Direct Cost of Instruction per FTE Student</b>	<b>Full Cost of Instruction per FTE Student</b>
<b>Revenues:</b>						
87.01% State Funds	\$7,084,000	\$3,265,600				
Tuition	926,000					
Other	132,000					
<b>Total</b>	<b>\$8,142,000</b>	<b>\$3,265,600</b>				
<b>Expenditures:</b>						
Instruction	\$4,267,200	\$1,711,500				
Academic Support	529,000	\$212,200				
Student Services	1,063,800	\$426,700				
Institutional Support	1,112,000	\$446,000				
O&M	1,126,000	\$451,600				
Scholarships	44,000	\$17,600				
<b>Total</b>	<b>\$8,142,000</b>	<b>\$3,265,600</b>	780,904	868	\$1,973	\$3,764

**Ogden-Weber ATC**

	<b>FY 01 Revenue &amp; Expenditures</b>	<b>FY 01 Revenue &amp; Expenditures for Adults</b>	<b>Adult Membership Hrs.</b>	<b>Conversion to FTE's Based on 30 clock hrs per credit hr.</b>	<b>Direct Cost of Instruction per FTE Student</b>	<b>Full Cost of Instruction per FTE Student</b>
<b>Revenues:</b>						
87.76% State Funds	\$7,786,000	\$4,674,400				
Tuition	913,200					
Other	172,600					
<b>Total</b>	<b>\$8,871,800</b>	<b>\$4,674,400</b>				
<b>Expenditures:</b>						
Instruction	\$4,337,100	\$2,285,100				
Academic Support	719,000	\$378,800				
Student Services	1,134,000	\$597,500				
Institutional Support	1,280,100	\$674,500				
O&M	1,395,500	\$735,300				
Scholarships	6,100	\$3,200				
<b>Total</b>	<b>\$8,871,800</b>	<b>\$4,674,400</b>	1,018,279	1,131	\$2,020	\$4,131

**Weber State University**

	<b>Direct Cost of Instruction</b>	<b>Full Cost of Instruction</b>	<b>FTE Students</b>	<b>Direct Cost of Instruction per FTE Student</b>	<b>Full Cost of Instruction per FTE Student</b>
Vocational Education	\$5,672,600	\$10,463,100	2,302	\$2,464	\$4,545

	<b>Direct Cost of Instruction per FTE Student</b>	<b>Full Cost of Instruction per FTE Student</b>
<b>Variance Between WSU and Davis and Ogden-Weber ATC's</b>		
Davis	\$492	\$782
Ogden-Weber	445	414
Average Variance	\$468	\$598

Sources: 1. Davis and Ogden-Weber's sources revenue and expenditures came from the state auditors FY 01 audit reports.  
2. WSU's figures came from the 2002-03 Data Book; Cost Study Tab; page 12.